eircom Holdings (Ireland) Limited ("EHIL")

September 1, 2016

Annual Report for Bondholders Year Ended June 30, 2016

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DISCLAIMER

The following report presents our results for the year ended June 30, 2016. This report is not an offer for sale of securities in the United States or in any other jurisdiction. This report has been prepared for information and background purposes only. It is confidential and does not constitute or form part of, and should not be construed as, an offer or invitation to subscribe for, underwrite or otherwise acquire, any securities of eircom Holdings (Ireland) Limited (the "Company") or any member of its group nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company or any member of its group or with any other contract or commitment whatsoever. Neither this report nor any part of it may be reproduced (electronically or otherwise) or redistributed, passed on, or the contents otherwise divulged, directly or indirectly, to any other person or published in whole or in part for any purpose without the prior written consent of the Company.

This report does not purport to be all-inclusive or to contain all of the information that any person may require to make a full analysis of the matters referred to herein. Each recipient of this report must make its own independent investigation and analysis of the Company.

This report may contain certain forward-looking statements that reflect management's intentions, beliefs or current expectations. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Company participates or is seeking to participate. The Company's ability to achieve its projected results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements as a prediction of actual results. All forward-looking statements included herein are based on information available to the Company as of the date hereof. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

In this report, we may rely on and refer to information regarding our business and the market in which we operate and compete. We have obtained this information from various third party sources, including providers of industry data, discussions with our customers and our own internal estimates. We cannot assure you that any of this information is accurate or correctly reflects our position in the industry, and none of our internal surveys or information has been verified by any independent sources.

No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information contained herein. None of the Company, its advisers, connected persons or any other person accepts any liability for any loss howsoever arising, directly or indirectly, from this presentation or its contents. This shall not, however, restrict or exclude or limit any duty or liability to a person under any applicable laws or regulations of any jurisdiction which may not lawfully be disclaimed (including in relation to fraudulent misrepresentation).

1. FORWARD LOOKING STATEMENTS

This report includes forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward looking statements contained in this Annual Report. In addition, even if our results of operations, financial condition, liquidity, and the development of the industry in which we operate are consistent with the forward looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the impact of a potential regression in the recovery of the Irish economy;
- increasing competition in the Irish telecommunications market;
- substitution of other services for our products and services;
- consolidation in the Irish telecommunications market;
- our ability to successfully implement our strategy to reduce churn and gain new subscribers;
- extensive regulation and regulatory initiatives aimed at increasing competition;
- our ability to successfully compete in data services;
- increased competition in the broadband market as a result of government initiatives;
- our ability to maintain our favourable brand image and develop new brands;
- changes in technologies and markets that require us to make substantial investments in our network and systems;
- our ability to achieve anticipated returns on investments;
- our dependence on network sharing agreements;
- dependence on third parties to distribute products, provide customer care and procure customers;
- our ability to effectively deploy new or enhanced technologies;
- our dependence on the proper functioning of, and our ability to continuously upgrade, our network, IT, and other systems;
- our leverage and debt service obligations and;
- other factors discussed or referred to in this Annual Report.

We urge you to read the sections of this Annual Report entitled “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Business*” and “*Regulation*” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward looking events described in this Annual Report may not occur.

We undertake no obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Annual Report.

2. INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this Annual Report regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which we operate are based on data, statistical information, sector reports and third-party studies as well as on our own estimates.

We operate in an industry in which it is difficult to obtain precise industry and market information. We have generally obtained the market and competitive position data in this Annual Report from the following reports:

- Reports published by The Commission for Communications Regulation ("**ComReg**"), the Irish telecommunications regulator, including the report containing market information as of March 31, 2016, published on June 9, 2016;

- Information published by Ireland's Central Statistics Office ("**CSO**"), including "Population and Migration Estimates" published in April 2015;

- Disclosures made by EUR-Lex, including "Summary of Commission Decision of May 28, 2014 declaring a concentration compatible with the internal market and the EEA Agreement (Case M.6992—Hutchison 3G UK/Telefónica Ireland)";

- Reports published by Analysys Mason, including the "Telecoms Market Matrix—Western Europe" report published on April 21, 2016;

- Reports published by Body of European Regulators for Electronic Communications ("**BEREC**"), including report titled "Termination rates at European level" report published by in July 2015;

- Certain earnings reports and presentations published by eir; and

- Certain earnings reports and presentations published by Liberty Global.

However, we cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information.

In addition, in many cases we have made statements in this Annual Report regarding our industry and our position in the industry based on our experience and our own investigation of market conditions including based on the reports of our competitors. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

To the extent that information was taken from third parties, such information has been accurately reproduced by us in this Annual Report and, as far as we are aware and able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is by nature forward-looking and speculative.

We have not verified the figures, market data and other information used by third parties in our studies, publications and financial information, or the external sources on which our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this Annual Report or for the accuracy of data on which our estimates are based.

This Annual Report also contains estimations of market data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (such as from conferences and sector events) or internal assessments. We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry we operate in and our position within it. Our own estimates have not been checked or verified externally. We nevertheless assume that our own market observations are reliable. We give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from future studies conducted by market research institutes or other independent sources.

3. PRESENTATION OF INFORMATION

Financial Information

Unless otherwise indicated, eircom Holdings (Ireland) Limited's ("EHIL") financial information in this Annual Report as of and for the two years ended June 30, 2015 and 2016 has been prepared in accordance with IFRS as adopted by the European Union. IFRS differs in certain significant respects from U.S. GAAP.

The consolidated financial statements of eircom Holdings (Ireland) Limited (or "the company") prepared in accordance with IFRS as of and for the two years ended June 30, 2015 and 2016, included elsewhere in this Annual Report, have been audited by PricewaterhouseCoopers, EHIL's independent auditors, as stated in their report appearing herein.

Unless otherwise indicated, the full year financial information presented in this Annual Report is the historical audited consolidated financial information of EHIL and its consolidated subsidiaries. The amounts and commentary presented in the management discussion and analysis section of this Annual Report include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the year ended June 30, 2016 applies the equity method of accounting for the investment in Tetra.

In this Annual Report, we use certain non-GAAP financial measures and ratios, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and leverage and coverage ratios. These measures are presented as we believe that they and similar measures are widely used in the global telecommunications industry as a means of evaluating a company's operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered substitutes for the information contained in EHIL's consolidated financial statements.

The independent auditors' report for EHIL for the year ended June 30, 2016 is included on page F-2 of this Annual Report. In accordance with guidance issued by the Institute of Chartered Accountants in Ireland, the independent auditors' reports state that: they were made solely to EHIL's members, as a body; the independent auditors' audit work was undertaken so that the independent auditors might state to EHIL's members those matters that were required to be stated to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, the independent auditors do not accept or assume responsibility to anyone other than, EHIL and EHIL's members as a body for their audit work, for their audit report or for the opinions they have formed. The independent auditors' reports for EHIL for the financial periods ended June 30, 2015 and June 30, 2016 were unqualified. PricewaterhouseCoopers were the auditors of EHIL for these accounting periods. In this Annual Report:

- "EBITDA" is earnings before interest, taxation, amortisation, depreciation, impairment, and profit/(loss) on disposal of property, plant and equipment; and

- "Adjusted EBITDA" is EBITDA after non-cash pension charge, non-cash lease contract items, exceptional items and profit or loss on disposal of property, plant and equipment.

Other Data

Certain numerical figures set out in this Annual Report, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and penetration rates, have been subject to rounding adjustments and, as a result, the totals of the data in this Annual Report may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the actual numerical unrounded data, as applicable, and not using the rounded numerical data in the tabular presentation contained in this Annual Report. As a result, the percentage movements in the tables set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" do not always agree with percentage movements in the numbers presented in tables in this section of the Annual Report.

CERTAIN DEFINITIONS

In this Annual Report:

- "Blended retail fixed ARPU" refers to the average of the total retail subscriber revenue divided by the average number of access subscribers in each period, where the average number of access subscribers in each period is the average of the total number of access subscribers at the beginning of the period and the total number of access subscribers at the end of the period and where total retail subscriber revenue is equal to retail access rental revenue (PSTN and ISDN excluding connection revenue), net core voice revenue (net of all rental discounts including promotional discounts) and net broadband revenue (broadband rental net of bundle discounts);

- "Clearstream" refers to Clearstream Banking, *société anonyme*;

- "Company" refers to eircom Limited (Jersey), a private limited company incorporated in Jersey with registration number 116389 and, as the context requires, its subsidiaries on a consolidated basis;

- "Consent Request" has the meaning given to it in "Recent Developments";

- "$" or "dollars" or "U.S. dollars" refers to the lawful currency of the United States;

- "EHIL" and "Parent Guarantor" refer to eircom Holdings (Ireland) Limited, a private company registered in Dublin, Ireland, and not to any of its subsidiaries;

- "eircom Limited (Ireland)" refers to eircom Limited, a private limited company incorporated in Ireland with registration number 98789;

- "eircom Limited (Jersey)" refers to eircom Limited, a private limited company incorporated in Jersey with registration number 116389;

- "ESOT" or the "ESOT Trustee" refers to the eircom Employee Share Ownership Trust;

- "€", "euro" or "EUR" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;

- "EU" refers to the European Union;

- "Euroclear" refers to Euroclear Bank SA/NV;

- "Examinership" refers to the petition of eircom and certain of its subsidiaries on March 29, 2012, to the High Court in Ireland for court protection and the appointment of an examiner and the subsequent placement into examinership under the Companies Act, 2014, as amended, in order to give effect to a restructuring of the debt of eircom;

- "Existing Notes" or "Senior Secured Notes due 2020" refers to the Issuer's 9.25% Senior Secured Notes due 2020 governed by the indenture dated May 20, 2013, among, *inter alios*, the Issuer, the guarantors named therein, Wilmington Trust, National Association as Trustee, Wilmington Trust (London) Limited as Security Agent, as amended and/or supplemented from time to time;

- "Group" refers to EHIL and its subsidiaries;

- "IFRS" refers to International Financial Reporting Standards adopted by the European Union;

- "Initial Purchasers" refers to, collectively, Deutsche Bank AG, London Branch; Credit Suisse Securities (Europe) Limited; Barclays Bank PLC; BNP Paribas; DNB Markets, a division of DNB Bank ASA; Goldman Sachs International; J.P. Morgan Securities plc and Morgan Stanley & Co. International plc;

- “Intercreditor Agreement” refers to the intercreditor agreement dated on the Restructuring Date, as amended on June 11, 2015, by and among, *inter alios*, EHIL and Wilmington Trust (London) Limited as Security Agent;

- “Issuer” refers to eircom Finance DAC, a designated activity company registered in Ireland with company number 524458;

- “Postpaid ARPU” refers to the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of postpay mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscribers in the year is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;

- “£” or “pounds sterling” refers to the lawful currency of the United Kingdom;

- “Prepaid ARPU” refers to the measure of the sum of the total prepaid mobile subscriber revenue including revenue from incoming traffic in a period divided by the average number of prepaid mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscribers in the period is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;

- “Redemption Date” means the date of redemption of the Existing Notes, which occurred on June 17, 2016;

- “Refinancing Transactions” refers to the issuance of the Notes, entry into security documents and other finance documents related to the issuance of the Notes, and the redemption, repayment, repurchase or discharge of indebtedness under the Existing Notes and the Senior Facilities Agreement, in whole or in part, and the payment or incurrence of any fees, expenses or charges associated with any of the foregoing;

- “Revolving Facility” or “Revolving Credit Facility” refers to a revolving credit facility introduced under the Senior Facilities Agreement in an aggregate principal amount of up to €150 million;

- “Revolving Facility Effective Date” has the meaning given to it in “Description of Other Indebtedness—Senior Facilities Agreement—Consent Request—Revolving Credit Facility”;

- “Senior Facilities” refers to the facilities made available under the Senior Facilities Agreement, including the Revolving Facility, a senior secured term loan facility B4 (“**Facility B4**”)

- “Senior Facilities Agreement” refers to the Senior Facilities Agreement dated on the Restructuring Date (as defined therein, being June 11, 2012, the “**Restructuring Date**”) as amended and restated on January 22, 2013, on March 14, 2013, on April 4, 2014, as amended on August 22, 2014, as amended and restated on June 11, 2015 and amended on July 16, 2015, and amended on June 14, 2016 and as further amended from time to time between, among others, EHIL, Wilmington Trust (London) Limited as agent and security agent and the lenders thereunder;

- “Tetra” refers to Tetra Ireland Communications Limited, a private limited company incorporated in Ireland with registration number 406355;

- “Total ARPU” refers to the total mobile subscriber revenue in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period, where the average number of mobile subscribers in the period is the average of the total number of mobile subscribers including mobile broadband at the beginning of the period and the total number of mobile subscribers including mobile broadband at the end of the period;

- “Trustee” refers to Deutsche Trustee Company Limited;

- “United States” or “U.S.” refers to the United States of America;

- “U.S. GAAP” refers to generally accepted accounting principles in the United States; and

- “eircom”, “we”, “us”, “our”, “eir” and other similar terms refer to EHIL on a consolidated basis after giving effect to the Refinancing Transactions described in this Annual Report, unless expressly stated otherwise or the context otherwise requires.

We have included a glossary of selected technical and other terms used in this Annual Report beginning on page 147.

4. RECENT DEVELOPMENTS

Bond Issuance

In June 2016, the group returned to the capital markets to optimise the cost of debt by issuing €500 million Senior Secured Notes at a rate of 4.5%. These Notes were used to refinance the 2020 €350 million notes that carried a coupon of 9.25%. Subsequent to the issuance of these Notes, a further €200 million Senior Secured Notes were issued in August 2016 at the same rate of 4.5% at an offering price of 101.5%. The €200 million issue was structured as a tap issue to the €500 million Senior Secured Notes issued in June 2016. The additional €200 million Notes issued are senior secured obligations of the group and rank equal in right of payment with all of the group's pre-existing indebtedness. The proceeds were used to prepay, in part, €201 million in outstanding indebtedness under Facility B3 of the senior debt facility.

Senior Facilities Amendment

In August 2016, the group received the required consents to implement certain amendments to its existing Senior Loan Facilities. The amendment package was structured to increase certain operational flexibility by aligning current terms and covenants in the Senior Loan Facilities to those of comparable market precedents and its bond documentation.

Amended securityholders deed

EHIL and its ultimate holding company, eircom Holdco S.A. ("EHSA") entered into an amendment to its securityholders deed with the securityholders of EHSA on June 28, 2016.

The amendment created additional securityholder consent matters, including in relation to capital expenditures and commitments or incurring liabilities in excess of certain thresholds, and amended the rights of certain securityholders with holdings above specified thresholds to appoint, remove and replace directors, as described in more detail in "Related Party Transactions". While there have already been some changes to the composition of the EHSA board, the composition has not, as of the date of this Annual Report, been finalised pursuant to the exercise of the amended board composition rights. Any such changes are not expected to affect the continuation of the Independent Chairman, Chief Executive Officer or Chief Financial Officer as directors.

Other

There have been no other significant events affecting the group since the year ended June 30, 2016.

5. RISK FACTORS

These risks are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial, may also impair our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Senior Secured Notes when due and you could lose all or part of your investment.

Risks Related to the Our Business and Industry

We are dependent on Ireland for substantially all of our revenue and our business would be negatively impacted if Irish economy were to falter.

We generate virtually all of our revenue in Ireland, where substantially all of our customers are located. Demand for our products and services is influenced by a number of factors, including the strength of the Irish economy. While the Irish economy is currently strong, with Irish personal consumption of goods and services having grown by 3.3% in 2014 and 5.3% in 2015, our business and results of operations have, in the past, been negatively affected by recessions in the Irish economy, particularly by the impact on telecommunications spending due to higher unemployment, emigration, tax increases and declines in overall consumer and business spending. If the Irish economy were to falter, our business, financial condition and results of operations could be materially adversely affected.

Increasing competition in the Irish fixed line telecommunications market makes our fixed line business vulnerable to further market share loss and decreasing revenue and/or margins, which could have a material adverse effect on our business, financial condition and results of operations.

The high level of competition in the Irish retail fixed line telecommunications market has led to a decrease in our market share since the liberalization of the Irish fixed line telecommunications market in December 1998. According to quarterly data published by ComReg, for the quarter ended March 31, 2016, our market share was 44.7% of overall retail fixed line revenue, a decline from 45.3% in the quarter ended March 31, 2015. Moreover, while we are able to regain, through our wholesale business, a significant proportion of retail access lines lost, we also face competition from wholesale fixed line operators such as BT.

In particular, our fixed line business has been adversely affected by customers switching to cable voice and broadband services offered by Virgin Media (formerly UPC) and other operators. The level of competition has also increased as a result of Sky's entry into the Irish telecommunications market in February 2013. We face competition in the TV market which we entered with the commercial launch of our IPTV offering in January 2014; by June 30, 2016 we had approximately 54,000 IPTV subscribers, representing a 27% penetration rate among our consumer fibre broadband customers. Our TV offering has been strengthened in recent months through the acquisition of Setanta Sports Ireland, which was completed in April 2016 and the subsequent re-branding to eir Sport. Rugby world cup rights have been added to the roster and eir's access to premium sports content is increasing our profile as we face competition from Sky and Virgin Media, which are established TV providers. Vodafone also launched a TV service in January 2016.

The level of competition may continue to increase as a result of increasing network convergence, which has facilitated the emergence of competitively priced bundles of services including combinations of fixed voice, broadband, mobile, TV and entertainment services. This competition comes from well-funded, multi-national competitors including Vodafone, Virgin Media and Sky.

In addition, the Electricity Supply Board ("**ESB**"), the incumbent power network company in Ireland, has partnered with Vodafone to offer FTTB roll-out on a wholesale open access basis. The joint venture, named Siro, is planning to invest €450 million in building an FTTB broadband network, offering speeds up to 1 Gb/s to 500,000 premises in fifty-one regional towns by the end of 2018. Siro claimed to have rolled out fibre to "more than 10,000 addresses" in May 2016, six months after launch, and has also passed the Pre-Qualification stage of the NBP process and been shortlisted for the Competitive Dialogue phase, which may enable it to win a contract to provide government subsidised high-speed broadband services to remote or underserved areas. While we believe that our chances of winning such a contract are very strong, in the event that we fail to win and Siro is awarded the contract in whole or in part, competition could increase further and also potentially affect our future business.

Increasing competition in the Irish fixed line telecommunications market could result in decreases in market share and/or price erosion and increased pressure on our profit margins, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations could be materially adversely affected by continued fixed-to-mobile substitution as well as the substitution of non-traditional voice and data services for our products and services.

The Irish fixed line telecommunications market has been, and will continue to be, influenced by fixed-to-mobile substitution, a trend that has affected the telecommunications industry globally. As fixed line subscribers place more calls from their mobile phones, retail voice traffic has declined. Retail traffic on our network declined by 13.9% in the twelve months ended June 30, 2016. Furthermore, some subscribers also choose to forego having an access line installed in favour of using a mobile phone. This has partly contributed to a decrease in the number of retail access lines, from approximately 776,000 at June 30, 2015 to 715,000 at June 30, 2016. The rate of decline in fixed retail traffic during the twelve months to March 2016 of −14.1% is greater than the rate of decline of retail fixed subscriptions of −8.7%. In the same period total mobile market minutes grew by 2.9%. The total market volume of retail mobile minutes in 2015 (12,222 million) is 2.8 times total market volume of retail fixed minutes, up from 2.6 times in the comparable preceding twelve months. Price decreases in the Irish mobile market and the availability of higher capability mobile broadband, including newer improved services that are facilitated by 4G technology, are factors that may contribute to further fixed-to-mobile substitution, although we believe that continued growth in data loads will have a favourable impact on demand for fixed broadband services. To the extent we are unable to offset decreases in fixed line service revenue resulting from fixed-to-mobile substitution with increased mobile revenue, our business will continue to be adversely affected.

Our fixed line business has also been adversely affected by products and services that are substitutes for traditional fixed line products and services, such as Voice over Internet Protocol ("**VoIP**") products. We have been developing Internet protocol ("**IP**") products of our own, as well as NGA and IP and Ethernet services for business customers to mitigate the effect of VoIP substitution. Even if these products are well received by customers, the margins we receive may, however, be lower than for our traditional fixed line products and services.

Substitution from non-traditional fixed and mobile voice and data services based on new mobile IP technologies, in particular over the top ("**OTT**") applications, such as Skype, Apple iMessage and Facetime, Google Talk, WhatsApp, WeChat and Facebook, may also adversely affect our business. These OTT applications are often free of charge, accessible via smartphones and smart devices that allow their users access to potentially unlimited messaging and voice services over the Internet, bypassing more expensive traditional voice and messaging services (SMS/MMS) provided by fixed line operators and MNOs such as eir, who are only able to charge for Internet data usage for such services. With the growing proportion of smartphones in the mobile subscriber base in Ireland and the increasing adoption of smart devices such as tablets, an increasing number of fixed and mobile customers are using OTT services. All MNOs are currently competing with OTT service providers who leverage existing infrastructures and are often not required to implement the capital-intensive business models associated with traditional fixed line operators and MNOs like eir. OTT service providers have become increasingly sophisticated, and technological developments have led to a significant improvement in the quality of service, particularly in speech quality. In addition, players with strong brand recognition and substantial financial resources, such as Apple, Google, Facebook and Microsoft, are expected to continue to grow their OTT services.

If the trends in fixed-to-mobile substitution and substitution of non-traditional voice and data services or similar services continue without compensating growth in services such as fixed line NGA, and if we are not able to address these trends, or develop appropriate strategies to obtain revenues from these services, this could result in continued declines in retail voice traffic and retail access lines as well as declines in ARPU and lower margins across our business, which could have a material adverse effect on our business, financial condition and results of operations.

We face competition in the Irish mobile telecommunications market, which may adversely affect our business, financial condition and results of operations.

There are currently three main MNOs in the Irish mobile telecommunications market, Vodafone, 3 and eir; their respective revenue market shares for the quarter ended March 31, 2016 were 42.9%, 34.3% and 18.4%. In addition, there are smaller MVNOs, including Tesco Mobile, (3.5% revenue market share) which deliver their services over networks provided by the MNOs. As a consequence of one of the conditions imposed upon 3 during their acquisition of O2, two additional MVNO's launched in 2015; Virgin Media and Carphone Warehouse. Virgin Media has had little impact on the market amassing just 10,500 subscriptions since launch. See *"Risk Factors—Risks Related to our Business and Industry—Consolidation in the Irish telecommunications market could adversely affect our business"* for further details.

Competition for customers among all of these operators is based principally upon the services and features offered, the technical quality of the mobile network and its coverage, customer service, capacity, and increasingly on price, with the introduction of a growing number of packages bundling minutes, SMS and data. Competition in the market continues to put pressure on market revenue in both the postpay and prepay segments.. As of March 31, 2016, 53.3% of our mobile customer base consisted of prepay users, which was 3 percentage points higher than the market average. This, however, has decreased from 56.7% at March 31, 2015. The churn of prepaid customers is significantly higher than that of postpaid. For the twelve months ended June 30, 2016, annualized prepaid churn was 59.7%, compared with annualized postpaid churn of 18.0%. Prepaid customers also have a lower ARPU than postpaid customers. For the twelve months ended June 30, 2016, prepaid ARPU was €15.70 compared with postpaid ARPU of €38.60. However, the mix of our mobile base continues to improve and as of June 30, 2016 47% of our mobile subscriber base consisted of postpay users. We expect that the total number of subscribers in the Irish mobile telecommunications market will level off, and market growth will be driven largely by new services such as B2B mobile services, bundled offerings and content. Accordingly, our ability to maintain our mobile revenue and defend and grow our subscriber base will depend in large part upon our ability to retain existing customers by offering attractive bundles and how offerings which increase the ARPU and the lifetime value of the customer, inducing our customers to switch from prepaid to postpaid plans, and by stimulating demand for new services, including 4G, our success in convincing mobile users to switch from competing operators to our mobile or converged services. If we are not able to compete effectively with other MNOs and MVNOs, our business, financial condition and results of operations could be materially adversely affected.

Consolidation in the Irish telecommunications market could adversely affect our business.

The Irish telecommunications market has been consolidating over recent years, including Vodafone's acquisition of several small fixed line operators and its acquisition of BT's consumer customer base, and more recently 3's acquisition of Telefonica O2 Ireland.

The European Commission's approval of the acquisition of O2 by 3 was subject to conditions set out in the commitments proposed by Hutchison Whampoa, owner of 3, and approved by the European Commission. The commitments included a package enabling the entry of two MVNOs into the Irish telecommunications market (the European Commission's decision leaves open the possibility for the two MVNOs to become full MNOs at a later date). MVNO agreements with both UPC Ireland (subsequently rebranded as Virgin Media) and Carphone Warehouse were subsequently announced.

Carphone Warehouse and Virgin Media launched their mobile businesses in July and October 2015 respectively. The entry of these two new MVNOs, and the potential eventual transition of one of them to MNO status, increases competition in the Irish mobile telecommunications market.

Any further consolidation in the Irish telecommunications market in the future could also have a material effect on our business, financial condition and results of operations.

We may not be able to successfully implement our bundling strategy, which could have an adverse impact on our results of operations.

A significant component of our strategy is to expand our bundled offerings, which comprise fixed voice, broadband, TV and mobile services. We believe that bundling has the potential to reduce churn of fixed line subscribers, reduce the cost of retaining, billing and serving the subscriber base while attracting new broadband subscribers, increasing the number of RGUs per subscriber and increasing ARPU. Our ability to successfully implement this strategy may, however, be adversely affected if demand for broadband services, particularly high speed broadband services, does not continue to grow in Ireland as we expect or if competition increases, whether as a result of the entry of new competitors or otherwise. In particular, other operators may offer more competitively priced bundles than those offered by us. Our ability to offer bundles is also dependent in part on the successful completion of our planned roll-out of fibre based access technologies to facilitate higher broadband speeds. Technological developments such as new platforms for broadband or TV access and/or distribution operational support systems and business support systems may also adversely affect the competitiveness of our bundled offerings. Furthermore, while we have obtained a degree of regulatory clarity following ComReg's Final Decision D04/13 (ComReg 13/14) in relation to bundling of services, there can be no assurance that we will continue to obtain regulatory approval for all of our bundling initiatives. See "*Regulation—The Regulatory Regime—SMP Regulation of our retail fixed access products and services*". If we are unsuccessful in implementing our bundling strategies, whether due to competition, ComReg decisions, regulatory barriers or otherwise, or if we are unable to increase our market share through our bundles, our business, financial condition and results of operations may be materially adversely affected.

Our fixed line telecommunications services are subject to extensive regulation and regulatory initiatives aimed at increasing competition. Evolution of an adverse regulatory framework could have a negative impact on our results of operations.

The fixed line telecommunications services that we provide are subject to extensive regulation. ComReg regulates the manner in which we provide many of our retail and wholesale services and the prices at which they are provided, and is mandated to pursue a policy of fostering increased competition in the Irish fixed line telecommunications market. In addition, the Minister for Communications, Climate Change and Natural Resources may, in the interests of proper and effective regulation of the Irish fixed line telecommunications market, give policy directions to ComReg to be followed in the exercise of its regulatory functions. In recent years, ComReg has taken a number of measures designed to further increase competition. These initiatives include requiring eir to provide specified wholesale services and unbundled network services to OAOs in order to allow these operators to compete in the retail market. Provision of these wholesale services to competitors has contributed to our loss of market share in the retail fixed line market, which may continue, and would negatively impact our business, financial condition and results of operations.

We are increasingly dependent on revenue generated from data services and a failure to successfully compete in data services could have an adverse effect on our fixed line business and results of operations.

Our fixed line business is increasingly dependent on revenue generated from data services, particularly broadband services, and end-to-end business solutions within the eir Business division, to offset the impact on our operating results of the declining market for fixed line voice and access services, and to maintain the long-term profitability of the business. A number of factors could limit our ability to increase our revenue from data services, including weak growth in customer demand for data services, difficulties or delays in our planned roll-out of our NGA Fibre network, limited customer adoption of more advanced and faster forms of broadband services, increased price competition from other data service providers, the failure to secure either one or both "lots" in the NBP, or a slow uptake of services rolled out in rural areas.

Revenue growth from data services must be balanced with appropriate pricing to maximise widespread adoption by the greatest number of users and to encourage migration to higher-speed offerings. Our broadband services are subject to competition from services provided by competitors using other technologies such as cable, wireless or satellite, and from services built by competitors that are based on unbundled local loops, line share and co-location. In addition, our fixed line business is facing increased competition in this market from mobile companies following the implementation of 3G technology and the deployment of 4G, which allows mobile operators to offer higher rate data services to their customers via their mobile networks. Our lower share of the mobile market relative to our share of the fixed line market makes us vulnerable to such competitive pressures.

We are attempting to address these challenges with a number of programs, such as rolling out fibre-based NGA fixed line services, including FTTH, improving our 3G mobile network and rolling out 4G services, and by offering bundled telecommunications services which now include mobile services for our business customer segment. If these programs are not successful, however, we may not maintain or grow our broadband revenue, which would materially adversely affect our business, financial position and results of operations.

We may be subject to increased competition in the broadband market as a result of Government initiatives to promote broadband infrastructure investment including by our competitors, which may negatively impact our results of operations.

The Irish Government has in the past and is currently taking a number of initiatives, including providing funding, as part of the National Development Plan to promote investment in broadband infrastructure in Ireland.

The Department of Communications, Climate Change, and Natural Resources published the NBP in August 2012 in which targets were set out for broadband speeds to be achieved by 2022. The then Minister, Alex White, launched the Government's NBP strategy at a public event on July 15, 2015. All key elements of the strategy have been out for consultation including technology, network ownership, funding options, scope of the intervention map and the Department's NBP cost benefit analysis. The pre-qualification questionnaire ("**PQQ**") process finished in April 2016 and media reports indicate that three operators, eir, Siro and eNet have progressed to the Competitive dialogue phase. The government's proposed NBP intervention will involve an end-to-end strategy for the delivery of reliable high speed broadband that includes a major fibre build-out to rural areas. Detailed planning work is continuing to deliver the project. It is understood that the Department is working towards running the tender process between Autumn 2016 and Spring 2017 with a contract to be agreed by June 2017. We intend to compete for this funding leveraging our existing network infrastructure. Other operators are also expected to bid for this funding using their own infrastructure, or potentially also using some component of wholesale services purchased from eir. This initiative would increase the number of addressable subscribers and result in growth of the overall broadband market.

The outcome of this bidding process could range from a low to high level of utilization of our infrastructure and could therefore significantly impact our costs and the viability of operating networks in low density areas. If we are not successful in obtaining such funding, our costs of operating in low density areas may be higher relative to our competitors, which could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to maintain a favourable brand image or maintain a positive customer experience, we may be unable to retain existing and/or attract new customers, leading to loss of market share and revenue.

Our ability to attract new customers and retain existing customers depends in part on our ability to maintain a favourable brand image and to ensure a good level of customer experience. We continuously make efforts to maintain and improve the position of our brands in the market, including advertising, sponsorship, and ensuring that overall company performance in terms of product portfolio, service provision and management is subject to regular review and improvement initiatives. We also continuously aim to provide high levels of customer service, both in terms of the customer experience when using our services and also in connection with handling complaints. If we are not successful in maintaining a favourable brand image, or if brand promotions by our competitors prove more successful at attracting and retaining customers, and/or we fail to maintain sufficient levels of customer satisfaction and service, our business, financial condition and results of operations could be materially adversely affected.

Our mobile business relies significantly on third parties to distribute our products, provide customer care and procure customers.

Our mobile business currently relies significantly on key third party distribution partners to distribute our products and services through various non-exclusive channels. Mobile retail specialists generally also procure customers for our competitors and they may be incentivized to encourage potential customers to choose mobile services offered by our competitors rather than our own mobile services.

In addition, our mobile business outsources the assembly, storage and distribution of handset and subscriber identity mobile packs, and has also significantly outsourced the provision of customer care services for our customers. In certain circumstances, our mobile business relies on third parties to provide accurate and robust IT systems and systems and equipment capable of interfacing, where necessary, with our mobile systems. Improvement in the customer experience has been a focus for eir, and to the extent we rely on third party providers for customer service, we are at risk of not meeting our improvement goals should such third parties not provide the level of service we expect. A failure to meet customer service targets could increase churn and adversely affect our revenues.

The failure to maintain these key distribution and customer care service provider relationships on acceptable terms, or the failure of our distribution partners to procure customers, or the failure of our customer care partners to provide an adequately high level of customer experience, as well as adequate services and systems to eir, could have a material adverse effect on our business, financial condition and results of operations.

Changing technologies and markets will require us to make substantial additional investments in our fixed line and mobile networks, our business systems and our television content offerings.

We operate in an industry characterised by rapid technological and market changes. We are presently undergoing a major investment program, with our main capital expenditure commitments relating to the roll-out of the NGA network, investments to roll-out 4G services, enhancing current services, investment in new IT capabilities, the improvement of our IPTV offering and our development of TV content. We expect to fund our capital expenditure programs using cash on balance sheet and cash flow from operations. As new technologies are developed, we may incur significant investment programs in order to implement such technologies to remain competitive. Our financial condition and results of operations may be materially adversely affected if we are unable to fund our current and future capital programs or if we are unable to realize the gains in revenues, market share and profitability that we expect from our capital programs, including our expansion into TV content.

We may not achieve the return we anticipate in connection with the investments we have made in our NGA network, our 4G network and other projects.

We have undertaken a major program of capital expenditure to facilitate the transformation of our business and enable us to respond to the technological and competitive challenges we face. Our capital expenditure has mainly related to the roll-out of our NGA network, investments in spectrum to roll-out 4G services, investments in new IT capabilities, investments in TV (including content) and in a new converged billing system which will provide customers with a single bill for fixed and mobile services. In time, we expect significant benefits to be realized as a result of these investments. In particular, the investments in our NGA and 4G networks not only enable us to meet customers' strong demand for high speed data, but are also a key component of our bundling strategy and investments in TV content enable us to make our IPTV offering more attractive and roll-out our TV everywhere initiative. We cannot be sure, however, that the investments we have made will generate the return we anticipate.

Our business and financial condition may be adversely affected as a result of our dependence on our network sharing agreement with 3.

In order to achieve cost savings and efficiencies as well as the timely roll-out of infrastructure supporting our own network coverage, we depend to a degree on the success of a network sharing agreement (called "**Mosaic**") with 3. Failure to successfully achieve the efficiencies we expect from the Mosaic network sharing agreement could have a material adverse effect on our business, financial condition and results of operations. Furthermore, actual cost synergies, if achieved at all, could be lower than expected and may take longer to achieve than expected.

The telecommunications industry is subject to rapid changes in technology and our success depends on our ability to effectively deploy new or enhanced technologies.

The technologies used in the telecommunications industry are rapidly evolving, and there can be no assurance that we will be able to sufficiently and efficiently adapt the services we provide to keep pace with these developments. In particular, certain communications technologies, such as LTE and VoIP, and fibre optics technology allowing for faster data transmission and lower unit cost per gigabyte of transferred traffic, are increasingly important in the markets in which we operate. Due to the rapid evolution of technology, there can be no guarantee that we will be able to predict and devote appropriate amounts of capital and resources to develop the necessary technologies to satisfy existing subscribers and attract new subscribers or that we will recover the investments we have made in such technologies. Furthermore, technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that we provide may render our existing services less profitable, less viable or obsolete. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. We cannot currently predict with certainty how emerging and future technological changes will affect our operations, nor can we predict when new technologies required to support our planned services will be available. If we are unable to keep pace with technological developments, our business, financial condition and results of operations could be materially adversely affected.

We depend upon the proper functioning of our network, IT, billing and CRM systems and must continuously upgrade these systems.

We must continue to maintain and upgrade our network, IT, billing and CRM systems in a timely manner in order to retain and expand our subscriber base. In particular, a number of business facilities, including our data center and IT systems, have limitations. While our intention is that these facilities and systems will be expanded, upgraded or replaced in accordance with business requirements, there is a risk that our business will be unable to expand certain facilities and/or systems on time, in a commercially viable manner, or at all. Moreover, the complexity of our IT systems may affect our ability to launch new services in a timely manner.

In addition, although we have introduced major new billing and CRM systems in recent years, a large number of customers remain on older, less flexible systems, with limited experienced staff to support and develop them. Over time the migration of customers to bundled products on the new converged billing system will mitigate the impact of this risk, but delays in this planned migration could adversely impact the achievement of revenue targets.

Moreover, requirements to upgrade network functionality, expand and maintain customer services, update network management and administrative systems and upgrade older systems and networks to adapt them to new technologies are not entirely under our control and may be affected in the future by, among other things, applicable regulations.

If we fail to successfully maintain or upgrade our network, IT, billing and CRM systems, our products and services may become less attractive to new subscribers, our customer service levels may suffer and we may lose existing subscribers to our competitors, or we may be required to make unbudgeted investments. In addition, our future and on-going IT system upgrades may fail to generate a positive return on investment, which may have an adverse effect on our business, financial condition and results of operations.

Our profitability may suffer if we are unable to successfully introduce new products or enter new market segments or businesses.

As part of our strategy, we seek to identify and exploit opportunities for future growth, including introducing new products or entering into new market segments or into new telecommunications businesses. For instance, we expect our recent acquisition of Setanta Sports Ireland, re-branded to eir Sport and entry into the TV content business to make our IPTV offering and bundles more attractive and enable our TV everywhere proposition. We may need to invest substantial funds and other resources, or enter into strategic alliances or partnerships in order to introduce these products or to enter and compete in these market segments or businesses. In addition, to the extent we expand into new business lines, we will be faced with risks and challenges which differ from the ones we have traditionally faced, and may be required to make further investments or enter further partnerships to maintain our position in such new market segments or businesses. We may not have the resources necessary for such investment or find suitable partners, nor can we be sure that any market segments or businesses that we enter into in the future will perform as well as we might expect.

We will continue to seek to lower our cost base and improve profitability. The cost saving measures we introduce may be costly or difficult to implement or may otherwise disrupt our business.

Following a detailed benchmarking review of our operating cost base in 2012, supported by a leading global consulting firm, we implemented a number of cost savings initiatives to reduce our operating cost base by over €127 million on a full year basis by June 30, 2015 compared to the year ended June 30, 2012. During this period, we reduced our employee headcount by over 2,000 full time equivalents and delivered significant non-pay cost reductions through a program of initiatives across the business. We undertook a further external cost benchmarking exercise in December 2014, and have identified further opportunities to achieve an upper second quartile cost base compared to peer group organizations.

Costs associated with the implementation of future cost savings initiatives could have an impact on our results of operations. Moreover, actual additional cost savings may be lower than we expect and may take longer to achieve than planned. A failure to successfully implement any such cost reduction initiatives, or a loss of critical skills or capabilities while implementing them, or the inability to fully realize their planned cost and productivity benefits could have a material adverse effect on our business, financial condition and results of operations.

A significant deterioration in our budgeted future cash flows or changes in WACC could result in a further impairment of our goodwill or other intangible and tangible fixed assets, which could have a material negative effect on our operating profits and financial condition.

The Group has a significant level of goodwill, intangible and tangible fixed assets. We test goodwill for impairment on an annual basis, and other tangible and intangible assets if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, based on discounted cash flows. The impairment test is undertaken separately for each of the Group's cash generating units (CGUs), Fixed Line and Mobile. The discounted cash flows are impacted by the Group's projected future cash flows and the Group's estimate of its weighted average cost of capital. Future cash flows are based on the Group's budgeted future cash flows, which are dependent, among other things, on the underlying performance of our business, which may be further impacted by negative industry or economic trends.

Any significant deterioration in the Group's budgeted future cash flows or an increase in the WACC could result in a further impairment of goodwill or intangible and tangible fixed assets, which could have a material negative effect on our operating profits and further increase our net liabilities.

Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.

We have a well-developed collective bargaining relationship with our trade unions. The terms and conditions for "graded employees" are the subject of collective bargaining agreements, primarily, but not exclusively, negotiated through the Joint Conciliation Council, in which all of our recognized trade unions participate.

These agreements provide for a dispute resolution process whereby we would utilize the services of the Workplace Relations Commission (the "**WRC**") in the case of genuinely exceptional matters and in circumstances where disagreements persist following the exhaustion of all internal procedures. As of June 30, 2016, approximately 52% of our employees were subject to collective bargaining agreements.

Following the significant reduction in workforce numbers, which was achieved without any labour-related disruption to our business or industrial action, we believe that the greater potential risk for disruption in the event of industrial action lies with our service providers such as our customer contact center providers.

While this risk is mitigated by commercial arrangements and wider stakeholder management, any significant deterioration in labour relations could result in operational disruptions which could have an adverse effect on our business, financial condition and results of operations.

Failure to attract and retain key personnel may impact our ability to deliver our financial plans.

The performance of our business depends significantly on the efforts and expertise of management and other key senior personnel. Retaining qualified commercial, technical and key leadership has become more challenging in the digital/communications industry where there is significant competition for experienced personnel. Therefore, we have developed a comprehensive People Strategy which encompasses a clear vision and purpose for all our people. We have re-introduced companywide pay increases and bonus payments, and will continue to refresh our approach to how we manage performance and grow our people. However, if these initiatives do not succeed in allowing us to retain key people, we may suffer disruption to our operations and may be unable to deliver our financial plans, which could have a material adverse effect on our business, financial condition and results of operations.

Over the next four to eight years the majority of our network and fixed line technology staff will reach retirement age, and this capability and knowledge will exit the business. To mitigate this risk we continue to build a strategic relationship with KN Networks who partner with us as a managed service provider in Field Operations, and we have implemented a five year program to recruit apprentices and graduates to ensure this knowledge and capability is not lost by the Company. We recruited 75 apprentices in the twelve months ended June 30, 2015, with a further intake of 50 apprentices planned by September 2016. However, if we do not succeed in replenishing this knowledgeable workforce, through apprentice and graduate recruitment, the exit of these workers will cause disruption to our operations and will impact our ability to deliver our financial plans, which could have a material adverse effect on our business, financial condition and results of operations.

Any acquisitions or divestitures we may make could disrupt our business and materially harm our financial condition, results of operations and cash flows. There are integration and consolidation risks associated with recently completed and potential future acquisitions and divestitures.

Future acquisitions and divestments may result in significant transaction expenses, increased leverage and unexpected liabilities. Future acquisitions may result in risks associated with entering new markets, and we may be unable to profitably operate the acquired businesses.

We recently completed the Setanta Sports Ireland acquisition and may, from time to time, consider certain additional acquisitions or divestitures, in markets where we currently operate as well as in markets in which we have not previously operated. In addition, we may not be able to identify suitable acquisition candidates in the future, or may not be able to finance such acquisitions on favourable terms. We may lack sufficient management skills, financial and other resources to successfully integrate our acquisitions. Acquisitions and divestitures involve numerous other risks, including the diversion of management’s attention from other business concerns, undisclosed risks impacting the target entity and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions or divestitures could increase our leverage. Raising external financing could impact our financial position or create dilution for our shareholders. Any future acquisitions may result in significant transaction expenses, unexpected liabilities and risks associated with entering new markets in addition to the integration and consolidation risks.

We cannot provide assurances that any acquisitions or divestitures will perform as planned or prove to be beneficial to our operations and cash flow, or that we will be able to successfully integrate any acquisitions that we undertake. Any such failure could seriously harm the financial condition of the company, results of operations and cash flows.

Our increasing dependence on information technology systems to provide services and run our business exposes us to risks of hacking, piracy, terrorist or cyber-attacks, security breaches, natural disasters, casualties or facilities/systems failure, which could damage our business and potentially lead to regulatory penalties.

The performance and reliability of our IT systems and facilities, our networks and our fixed line and mobile telecommunication services, are critical to our ability to attract and retain customers and meet our regulatory universal service obligations. These include sophisticated critical facilities and systems such as IP routers, exchanges, switches, transmission systems, other key network points, data centres and core billing and customer service systems. The hardware supporting these systems is housed in a number of locations. These systems, facilities (some of which are owned by third parties) and networks, and the services that we provide, may be subject to damage or disruptions resulting from criminal or terrorist acts or as a result of malicious hacking, piracy or cyber-attack, or from numerous other events, including infrastructure defects, fire, flood, storm or other natural disasters, power outages, unanticipated IT problems, computer viruses and equipment, system or infrastructure failures. Our business continuity plans and our network and IT security policies and procedures may not be sufficient to prevent or mitigate the impact of any such damage, disruption, economic loss or regulatory penalties.

A major disruption to our infrastructure or to a third party supplier’s systems could result in a failure of our networks or systems, or of the third party owned local and long distance networks on which we rely for the provision of interconnection and roaming services to customers. This would affect the quality of service or cause temporary service interruptions, which could result in customer dissatisfaction and reputational damage, regulatory penalties and reduced revenue and earnings and could thereby have a material adverse effect on our business, financial condition and results of operations.

Criminal and anti-terrorism laws and regulations might result in a heavier regulatory burden on our business and increased operating costs.

We presently incur significant costs in relation to complying with the data retention requirements imposed by crime prevention laws and regulations. The Irish Communications (Retention of Data) Act 2011 requires all telephone and Internet service providers to retain call and Internet traffic records (including time and location data for mobile traffic) for a period of two years and one year respectively for the purpose of the prevention and investigation of serious crime by the Irish State's law enforcement agencies.

However, an actual or threatened act of terrorism or similar event could lead to a significantly higher regulatory burden on our business, and result in increased costs. We may also be required to assist Government departments in certain circumstances, such as national emergencies, which may require us to incur additional expenditures or to suffer disruptions to our network. These increased obligations, higher costs and potential disruptions could have a material adverse effect on our business, financial condition and results of operations.

System failures, hacking or misuse of our fixed line and mobile networks may damage our reputation and result in increased costs to our business.

Customers or others may misuse our networks in ways that could damage our reputation and result in regulatory or other measures that increase our costs. Examples of such potential misuse include using the network to make inappropriate contact with children, spamming, propagation of viruses, piracy of intellectual property, or engaging in fraudulent activities. As the telecommunications sector has become increasingly digitalized, automated and online-based, we have become exposed to increased risks of hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, hacker attacks or unauthorized access to our servers could affect the quality of our services, compromise the confidentiality of customer data or cause service interruptions, which could harm our reputation and thereby have a material adverse effect on our business, financial condition or results of operations.

The loss of important intellectual property rights, including key trademarks and domain names, could adversely affect our business and results of operations.

Certain of our intellectual property rights, including key trademarks and domain names, which we believe are well known in the telecommunications markets in which we operate, are important to our business. A significant portion of our revenue is derived from products and services marketed under our brand names. We rely upon a combination of trademark laws, copyright and data base protection as well as, where appropriate, contractual arrangements to establish and protect our intellectual property rights. From time to time, we may make claims against third parties to protect our intellectual property rights against infringement. These claims can result in protracted and costly litigation, regardless of their merits, and may not ultimately be successful, which could adversely affect our business, financial condition and results of operations.

In addition to the risk that a third party may infringe our intellectual property rights, we face the risk that a third party may claim that we are infringing that third party's intellectual property rights. As a result, we may not be able to use intellectual property that is material to the operation of our business and/or may be obliged to take further actions. Alternatively, a third party may allege that one of our suppliers or customers is infringing that third party's intellectual property rights, and may bring a lawsuit to prevent such supplier from providing us with products or services important to our business, or customers from purchasing our products and services. If such a lawsuit were successful, we may be forced to stop using or selling the product or service and/or we may be required to undertake further remedial activities or efforts, either of which could have an adverse effect on our business, financial condition and results of operations.

We collect and process subscriber data as part of our daily business and the leakage of such data may violate laws and regulations which could result in fines, loss of reputation and the loss of customers and adversely affect our business.

We collect, store and use data in the ordinary course of our business that is protected by data protection laws. Although we take precautions to protect subscriber data in accordance with the privacy requirements provided for under applicable laws, these precautions might not be successful and certain subscriber data may be exposed due to human error or technological failure or otherwise be used inappropriately. We work with independent and third party suppliers, partners, sales agents, service providers and call center agents, and it is possible that such third parties could also experience system failures involving the storing or the transmission of proprietary data. Violation of data protection laws by us or one of our partners or suppliers may result in fines, reputational harm and the loss of customers and could have a material adverse effect on our business, financial condition and results of operations. We have been prosecuted by the Data Protection Commissioner on a number of occasions since 2011 for various breaches of data protection laws relating to the sending of marketing communications as well as data security matters; however, the fines and settlements imposed in these cases, individually and in the aggregate, were not material. New data protection laws and regulations could have a material adverse effect on our business, financial condition and results of operations; for example, the European Union General Data Protection Regulation will be implemented in May 2018 and will introduce new compliance obligations in relation to the commercial use of personal data, which will include our subscriber data, with significant fines of up to 4% of global turnover for certain aspects of non-compliance.

Increasing data security requirements by financial institutions, certain other corporate customers and government entities may adversely affect our business and profitability.

We are a provider of mobile and landline services to a number of public and private financial institutions, government entities and corporate customers with data security requirements. These customers may continue to increase their data security requirements, and we may be required to undertake additional investments in order to adhere to these enhanced data security requirements, as well as to adhere to evolving statutory and regulatory requirements, including obtaining and maintaining certain ISO certifications, improving access rights management systems and developing a corporate data encryption infrastructure. As a result, we may incur additional capital expenditure to satisfy data security requirements. In addition, we cannot assure you that these customers will not terminate their contracts with us. Such terminations may have a material adverse effect on our business, financial condition and results of operations.

The outcome of litigation may not be in accordance with our assessments.

We are a party to legal proceedings from time to time. We review the status of any pending or threatened proceedings with legal counsel on a regular basis. In determining whether accounting provisions are required in respect of pending or threatened litigation, we review the period in which the underlying cause of the litigation or of the actual or possible claim or assessment occurred, the degree of probability of an unfavourable outcome, and the ability to make a reasonable estimate of the amount of potential loss. Upon considering these factors and any other known relevant facts and circumstances, we recognize any loss that is considered probable and reasonably quantifiable as of the balance sheet date.

The outcome of any litigation may not be consistent with our estimates and assessment of liabilities. If we incur significant costs in excess of amounts provided or if we are unsuccessful in defending claims which are treated as contingent liabilities, our business, results of operations and financial condition may be materially adversely affected.

Alleged health risks associated with mobile communications could lead to reduced usage of our mobile services and products, increased difficulty in obtaining transmitter sites or result in potential liabilities.

Public concern about the perceived health risks of mobile communications could have a detrimental impact on our mobile business by casting our services or products in a negative light, making it difficult to retain or attract customers or to obtain transmitter sites, or by reducing usage per customer of all or certain of our services. There can be no assurance that further medical research and studies will not establish a link between the radio frequency emissions of mobile handsets and/or base stations and these health concerns. As a result, government authorities could increase regulation of mobile handsets and base stations and public pressure may limit or delay the ability of MNOs, including our mobile operations, to install mobile phone masts at key sites.

If these health risks were to materialize, actual costs or damages could be significantly in excess of any limited insurance protection that we may have and we may have difficulty obtaining appropriate insurance protection for such risks. MNOs could be held liable for the cost of damages associated with these risks. This could have a material adverse effect on our business, financial condition and results of operations.

Our obligations under our employee pension schemes could adversely impact our cash flows, results of operations, financial condition and ability to pay dividends.

We operate a defined benefit pension scheme for 2,328 employees at June 30, 2016. The pension scheme also covers a significant number of past employees, including 5,502 deferred members and 8,761 pensioners at June 30, 2016. In the event of a deficit arising in the future in respect of the eircom Superannuation Fund under Part IV of the 1990 Pensions Act, which details the Minimum Funding Standard, the pension scheme trustees would be required to agree with us a funding proposal for submission to the Pensions Authority to address the deficit over an agreed time period, which could require increased contributions from eir or from employees or a reduction in benefits or a combination of these measures. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Employee Defined Benefit Pension Scheme*" in relation to prior to January 1, 1984 service by certain employees, past employees, deferred members and pensioners.

A full actuarial valuation was carried out at September 30, 2013, on both a minimum funding standard and an on-going funding basis. The actuarial valuation on an on-going funding basis resulted in a surplus in relation to accrued liabilities at September 30, 2013 of €131 million and an employer contribution rate for future service of 8.5% of pensionable remuneration. The eircom Superannuation Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard) at September 30, 2013 and at the scheme year ends of March 31, 2013, 2014, 2015 and 2016 and no additional funding was required. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Employee Defined Benefit Pension Scheme*". If, however, the scheme were to go into deficit under the Minimum Funding Standard in the future, the trustees might seek changes to the scheme or increased funding to restore the balance. Although we would likely take actions to limit any additional funding requirement, in such circumstances eir may be obliged to make increased contributions to the pension scheme, which might in turn result in increased costs and cash outflows and have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to tax laws and regulations, the interpretation of which may change in ways that could be adverse to our business, results of operation and financial condition.

The Group is subject to complex tax laws. Changes in tax laws could adversely affect the Group's tax position, including our effective tax rate or tax payments. The Group often relies on generally available interpretations of applicable tax laws and regulations. There cannot be certainty that the relevant tax authorities are in agreement with the Group's interpretation of these laws. If the Group's tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require the Group to pay taxes that the Group currently does not collect or pay or increase the costs of the Group's services to track and collect such taxes, which could increase the Group's costs of operations of the Group's effective tax rate. The occurrence of any of the foregoing tax risks could have a material adverse effect on the Group's business, financial condition and results of operations.

If a Guarantor makes any payments in respect of interest on Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by the Guarantor will be eligible for relief or the exemptions to the same extent the Issuer would be.

The vote by the UK electorate in favour of a UK exit from the EU in the in-or-out referendum in June 2016 could adversely impact our business, results of operations and financial condition.

Following the Conservative party win in the UK General Election on May 7, 2015, the UK Government has promised to hold an in-or-out referendum on the UK's membership within the EU. The referendum was held on June 23, 2016, with the 'leave side' winning the vote by 52% to 48%. The UK government is now planning the steps to implement a UK exit from the EU ("**Brexit**"), including the process of negotiation that will determine the future terms of the UK's relationship with the EU.

Depending on the terms of the Brexit negotiations, if it should occur, the UK could also lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. Such a decline in trade could affect the attractiveness of the UK as a global investment center and, as a result, could have a detrimental impact on UK growth.

Given Ireland's proximity to the UK and its strong trade, investment and financial links with the UK, a UK exit from the EU could lead to financial turmoil and damage Irish trade and the Irish economy. In turn, an economic downturn in Ireland could also negatively impact demand for our products and services.

Although it is not possible to predict fully the effects of Brexit on the UK, Irish and EU economies, if it were to occur it could have a material adverse effect on our business and our results of operations.

Risks Relating to Regulatory and Licensing Matters—Fixed Line Business and Mobile Business

ComReg periodically issues pricing directions covering our services, which may have a negative impact on our fixed line revenue and operating profit.

ComReg requires us to provide wholesale services to OAOs and regulates the prices at which we offer these services. Our regulated services—which include, for example, unbundled local loop access services, wholesale NGA services, wholesale broadband access ("**WBA**") services, leased lines and interconnection services—generally are subject to access, non-discrimination and price control obligations, including cost orientation obligations and/or margin squeeze tests. ComReg has imposed cost orientation obligations using a number of costing methodologies. In some cases, for example LLU and call origination, prices must be based on the long run incremental costs of providing the service, together with a permitted rate of return on our capital. A costing methodology based on a combination of a bottom-up long run average incremental cost modelling and top-down historical cost accounting is applied in respect of single billing WLR ("**SB-WLR**"), and cost floors based on margin squeeze tests applied in respect of WBA and wholesale leased line products, which requires us to ensure that our wholesale and retail prices are set so as to generally allow other "similarly efficient operators" (with higher costs than ours) to compete with us in retail markets. We must obtain prior ComReg approval before we can offer certain new services, including services relating to NGA, wholesale broadband, wholesale leased lines and any retail bundle with a line rental component, and before we can change the price of existing wholesale regulated services. If ComReg withholds or delays approval for, or places significant restrictions on our ability to launch, new bundled products and services, more competitive regulated services, or new broadband services, our business, financial condition and results of operations could be materially adversely affected.

Financial and operational burdens imposed on our universal service obligations ("USO") could have a negative impact on our results of operations and cash flows.

Since 2003, we have been the designated Universal Service Provider ("**USP**"), in decisions adopted by ComReg from time to time, most recently in December 2015 for the period to June 30, 2016. The establishment of a sharing mechanism, in the form of a USO fund, for example, is required under the EU Universal Service Directive of 2002 and the Irish Universal Service Regulations where the net cost of the USO is found to amount to an unfair burden on the USP. See "*Regulation—The Regulatory Regime—USO Regime*". Nonetheless, there can be no assurance that the net cost of the USO will be deemed to represent an unfair burden to us and that we would be compensated accordingly.

Furthermore, under the Universal Service Regulations, ComReg is authorized to set binding performance targets in respect of the obligation to provide connections and access and such other elements of the USO as ComReg deems appropriate and did so in May 2008. Following failure by eir, in the view of ComReg, to meet some of the performance targets in 2009, we agreed with ComReg an approach with respect to the provision of the USO including successive quality of service performance improvement programs ("**PIP**"). Under the various PIP agreements, we have maintained cash guarantee on deposit to cover any financial penalty that may be imposed by ComReg if the targets are not met. The latest performance improvement program, known as PIP 3, was agreed with ComReg to cover the period January 1, 2015 to December 31, 2015 (see ComReg 14/129). There is no PIP agreement in place in respect of the current designation period to end June 2016.

A severe weather event, referred to as Storm Rachel, in January 2015, and a sequence of storms in November and December 2015, which led to the highest rainfall ever recorded in Ireland, resulted in abnormally high rates of fault arrivals which negatively impacted our speed of repair performance and a potential penalty exposure. The 2015 performance assessment is on-going. In accordance with the provisions of PIP 3 agreed with ComReg concerning "force majeure events", we are preparing an application seeking that ComReg, in assessing our performance under PIP 3 for the year 2015, takes into account the impact of the exceptionally severe weather events which have affected our network. On July 29, 2016, ComReg designated eir as Universal Service Provider for the provision of access at a fixed location for a further 5 years from July 29, 2016 to June 30, 2021 2021 (Decision D05/16, ComReg 16/65). ComReg's consultation of May 4, 2016, (consultation document ComReg 16/31) included proposals to amend the quality of service regime. ComReg has advised its intention to issue a new decision on quality of service targets before the end of 2016. The targets specified in ComReg's 2008 Decision (D02/08) will apply for the interim period. Our business, financial condition and results of operations could be materially adversely affected by the outcome of this consultation process.

Our fixed and mobile businesses are subject to regulatory rules set by the EU which, if changed, may negatively impact on the results of operations.

The basic framework for regulation of the Irish telecommunications market derives from the EU Regulatory Framework which was adopted by the EU in 2002 for all aspects of electronic communications networks and services across the EU. The EU made amendments relating to the recommended markets in November 2007 and further amendments to the EU Regulatory Framework in November 2009. The main policy objectives of the EU Regulatory Framework are to promote competition, to contribute to the development of the internal market, and to protect the interests of citizens. National regulators have discretion to impose regulatory obligations in line with national circumstances.

On November 25, 2015, the European Parliament and Council adopted Regulation 2015/2120 making amendments to the 2012 Roaming Regulations and introducing rules on net neutrality. Under the proposed regulation retail roaming will be abolished in June 2017, subject to completion of a review of the operation of the wholesale roaming market by the Commission. A transition period commenced from April 2016 during which the mark-up for roaming retail charges will be limited to the wholesale price caps.

The European Commission is undertaking a review of the EU Regulatory Framework. Legislative proposals are expected to be published towards the end of 2016. Changes to the EU regulatory framework could have a material adverse effect on our business, financial condition and results of operations.

Regulatory investigations and litigation may lead to fines or other penalties.

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. See "*Regulation—The Regulatory Regime—Compliance*". On occasion, we are involved in litigation and regulatory enquiries and investigations involving our operations, which may lead to fines and other penalties that could have an adverse impact on our results of operations. See "*Business—Litigation*".

Planning license fees, if applicable to us, may adversely affect our results of operations.

Under Irish planning legislation introduced in 2002, where a license is granted by a planning authority to a person to erect, construct, place and maintain overhead cables or wires on, over or along a public road, a fee is payable to the planning authority for every year or part of a year for which the license is granted. We strongly disagree with such a fee, as it bears no relation to the actual administrative costs involved in processing planning and consent applications. However, this fee could be determined to apply to our networks, which encompass overhead wires and poles. If it is determined that the license fee is applicable to our networks and is enforced on an annual basis, it may increase our costs and adversely affect results of operations. In the intervening period since the 2002 legislation, no planning authority has applied the fee in respect of overhead wires and poles.

Changes in our regulated weighted average cost of capital could have an adverse impact on our revenue and results of operations.

In December 2014, ComReg issued a decision notice directing that a nominal pre-tax weighted average cost of capital of 8.18% be used for the purpose of our separated regulated accounts, and as a basis for allowing us an adequate rate of return for regulatory purposes, including in the setting of our regulated wholesale prices. Any further reduction in our regulated weighted average cost of capital could have an adverse impact on our revenue and results of operations.

Risks Related to Our Financial Profile

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.

As of June 30, 2016, we had total gross debt of €2,363 million including €1,863 million under the Senior Facilities Agreement and €500 million under the Notes. On a pro forma basis and giving effect to the Notes tap issue and the Senior Facilities Amendment process, we had gross debt of €1,662 million under the Senior Facilities Agreement and €700 million under the Notes.

The degree to which we are leveraged could have important consequences to holders of the Notes, including but not limited to:

- making it difficult for us to satisfy our obligations with respect to the notes, guarantees and other debts and liabilities;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, spectrum license payments, acquisitions, joint ventures, product research and development, subscriber acquisition costs or other general corporate purposes, as well as our ability to pay dividends to our shareholders;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing; and
- limiting our options for refinancing the Notes and our other indebtedness when it falls due.

Any of these or other consequences or events could have a material adverse effect on our business, financial condition and results of operations, as well as our ability to satisfy our debt obligations, including the Notes.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Indenture restricts, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;

- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to EHIL and its restricted subsidiaries;

- sell, lease or transfer certain assets, including stock of restricted subsidiaries;

- engage in certain transactions with affiliates;

- consolidate or merge with other entities; and

- impair the security interests in the collateral.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*". The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, we are subject to the affirmative and negative covenants contained in the Senior Facilities Agreement which also limits our flexibility and requires us to satisfy various financial covenants. See "*Description of Other Indebtedness—Senior Facilities Agreement*".

Certain covenants may be suspended upon the occurrence of a change in the Issuer's ratings.

The Indenture provides that, if at any time following the date of issuance, the Notes receive a rating of Baa3 or better by Moody's and a rating of BBB− or better by S&P and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time, if any, at which the Notes cease to have such ratings, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*". If these covenants were to cease to be applicable, the Issuer, EHIL and its restricted subsidiaries may, subject to the terms of the Senior Facilities Agreement and other indebtedness, be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of the holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Facilities Agreement and the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*", many of which are beyond our control. The indebtedness outstanding under the Senior Facilities Agreement (€1,863 million) will mature on May 31, 2022. See *"Description of Other Indebtedness*". At the maturity of the facilities under the Senior Facilities Agreement, the Notes or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay these debt obligations, or to fund our other liquidity needs or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to further refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures, sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Senior Facilities Agreement and the Indenture and any future debt may limit our ability to pursue any of the foregoing measures.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that we incur at any subsidiary that does not guarantee the Notes would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. Although the Senior Facilities Agreement and the Indenture contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we incur additional debt, the related risks that we now face would increase. An increase in our indebtedness could also lead to a downgrade of the ratings assigned to eircom Holdings (Ireland) Limited or the Notes, either of which could negatively affect the trading price of the Notes. In addition, the Senior Facilities Agreement and the Indenture do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Risks Related to the Notes

The Notes and the Guarantees are subordinated to certain hedging obligations and may be subordinated in the future, and such hedging obligations may also be repaid with the proceeds of the collateral securing the Notes in priority to the Notes.

Under the terms of the Intercreditor Agreement, the Notes and the Guarantees rank junior in right of payment to certain "super priority" hedging obligations incurred in respect of the Senior Facilities Agreement. Accordingly, if the Issuer or any of the Guarantors dissolves, winds-up or liquidates, or if any of them is the subject of any bankruptcy, insolvency or similar proceeding, counterparties to the relevant hedging arrangements would be entitled to receive payment in full of all obligations due thereunder before the holders of the Notes would be entitled to receive any payment with respect to the Notes or the Guarantees.

The Intercreditor Agreement also provides that proceeds from enforcement of the collateral securing the Notes must first be applied in satisfaction in full of obligations under these "super priority" hedging obligations and, only thereafter, to repay the obligations under the Notes and the Senior Facilities Agreement. Any such "super priority" hedging debt will be secured by the same property and assets that secure the Notes. As such, in the event of enforcement of the collateral securing the Notes, you may not be able to recover on such collateral if the then-outstanding liabilities under such "super priority" hedging debt are greater than the proceeds realized in the event of enforcement of the collateral securing the Notes.

The security interests in the collateral have been granted to the Security Agent rather than directly to the holders of the Notes.

The security interests in the collateral that secures our obligations under the Notes and the obligations of the Guarantors under the Guarantees are not granted directly to the holders of the Notes, but instead are granted only in favor of the Security Agent. The Indenture provides (in addition to the Intercreditor Agreement) that only the Security Agent has the right to enforce such collateral. As a consequence, holders of the Notes do not have direct security interests in the collateral and will not be entitled to take independent enforcement action in respect of such collateral, except through the Trustee, which will, subject to the applicable provisions of the Indenture and the Intercreditor Agreement, provide instructions to the Security Agent in respect of such collateral.

Holders of the Notes may not control certain decisions regarding the collateral.

The Notes are secured by the same collateral securing the Senior Facilities Agreement. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by such collateral.

As a result of the voting provisions set forth in the Intercreditor Agreement, under certain circumstances, the lenders under the Senior Facilities Agreement and counterparties to certain hedging arrangements could have effective control of all decisions with respect to the collateral securing the Notes. Pursuant to the Intercreditor Agreement, the Security Agent serves as a common security agent for the secured parties under the Senior Facilities Agreement, certain hedging obligations and the Notes. Subject to certain limited exceptions, the Security Agent will act with respect to such collateral only at the direction of an "Instructing Group".

The holders of the Notes do not have separate rights to enforce the collateral securing the Notes. In addition, the holders of the Notes are not be able to instruct the Security Agent, force a sale of collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents, unless they comprise an Instructing Group which is entitled to give such instructions (provided that, if the liabilities in respect of the Notes represent less than 30% of the aggregate of the outstanding liabilities under the Notes, the Senior Facilities Agreement and certain hedging agreements, the votes of the holders of the Notes shall not be canvassed by the Security Agent and the holders of the Notes shall be deemed to have voted in the same manner and in the same proportion as the creditors under the Senior Facilities Agreement and the hedge counterparties under certain hedging contracts). Disputes may occur between the holders of the Notes and creditors under our Senior Facilities Agreement, the counterparties to certain hedging arrangements or holders of any permitted additional indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the collateral. In such an event, the holders of the Notes will be bound by any decisions of the Instructing Group, which may result in enforcement action in respect of the collateral for the Notes, whether or not such action is approved by the holders of the Notes or may be adverse to such holders. The creditors under the Senior Facilities Agreement, the counterparties to certain hedging arrangements or the holders of certain other permitted additional indebtedness may also have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant security documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so. See "*Description of Other Indebtedness—Intercreditor Agreement*".

The collateral may not be sufficient to secure the obligations under the Notes.

The Notes and the Guarantees are secured by security interests in the collateral described in this Annual Report, which collateral also secures the obligations under the Senior Facilities Agreement on a *pari passu* basis as well as certain hedging obligations as described elsewhere in this Annual Report. The collateral may also secure additional debt to the extent permitted by the terms of the Indenture, the Senior Facilities Agreement and the Intercreditor Agreement. Your rights to the collateral may be diluted by any increase in the debt secured by the collateral or a reduction of the collateral securing the Notes.

The value of the collateral that secures the Notes and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, amongst other things, the ability to sell such collateral in an orderly sale, the costs of realization and any requirements to pay any of the proceeds to preferential creditors such as tax authorities and employees, economic conditions where our business operations are located and the availability of buyers of such collateral. The book value of the collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the collateral may be illiquid and may have no readily ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges over the shares of an entity may be of no value if the relevant entity is subject to an insolvency or bankruptcy proceeding.

In addition, our business requires a variety of permits and licenses. The continued operation of properties that comprise part of the collateral and that depend on the maintenance of such permits and licenses may be prohibited or restricted. Our business is also subject to regulations and permit requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. In the event of foreclosure of all or any part of our business, the grant of permits and licenses may be revoked or the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained or are delayed or otherwise economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the collateral may be significantly diminished.

It may be difficult to realize the value of the collateral securing the Notes. The ability of the Security Agent to enforce certain of the collateral may be restricted by local law.

The collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, the Senior Facilities Agreement and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of priority security interests in the collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The security interests will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the enforcement of a share pledge, whether by means of a sale or an appropriation, is subject to certain specific requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on the relevant collateral. Accordingly, the Security Agent may not have the ability to foreclose upon certain collateral, and the value of the collateral may decline significantly.

You may face foreign exchange risks by investing in the Notes.

The Notes are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of euro relative to the currency by reference to which you measure your investment returns because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes and you should consult with your own tax advisors regarding any such tax consequences.

Risks Related to the Structure of the Company

The Issuer is a finance subsidiary that has no revenue generating operations of its own and depends on cash received under its intercompany loan in order to be able to make payments on the Notes.

The Issuer is a finance subsidiary that was formed in order to offer and issue debt securities. The Issuer conducts no business operations of its own, and has not engaged in, and will not be permitted to engage in, any activities other than those relating to its finance activities. The Issuer will be dependent upon payments from members of the Group to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order for the Issuer to meet its obligations under the Notes through interest payments on the relevant note proceeds loan agreements or other intercompany loans or distributions. If we do not fulfill our obligations under the note proceeds loan agreements or other intercompany loans, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amounts available to the Issuer from EHIL or any other relevant members of the Group will depend on the profitability and cash flows of such members of the Group and the ability of such members to make payments to it under applicable law or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay such amounts. Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of subsidiaries to move cash within the restricted group. Such restrictions include those created by the Intercreditor Agreement. See "*Description of Other Indebtedness—Intercreditor Agreement*". Applicable tax laws may also subject such payments to further taxation. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees and the collateral securing the Notes will be released automatically, including, without limitation:

- in the case of collateral, in connection with any sale or other disposition to any third party of the property or assets constituting collateral, so long as the sale or other disposition is permitted by the Indenture;
- in accordance with the amendments and waivers provisions of the Indenture as described under the caption "*Description of Notes—Amendments and Waivers*";
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*;"

- with respect to the property and assets securing the Notes, automatically if a security interest granted in favor of the Senior Facilities Agreement, public debt or such other indebtedness that gave rise to the obligation to grant the security interest over such property and assets is released (other than pursuant to the payment and discharge thereof); or

- in accordance with the Intercreditor Agreement.

The Notes and each of the Guarantees are structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.

Generally, claims of creditors of a non-Guarantor subsidiary, and claims of preference shareholders (if any) of that subsidiary, will have priority with respect to the assets and earnings of that subsidiary over the claims of creditors of its parent entity and any intercompany loans and by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes are structurally subordinated to the creditors and preference shareholders (if any) of our non-Guarantor subsidiaries.

Your rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral.

Under applicable law, a security interest in certain assets may not be enforceable, or its priority may not be retained, if certain actions are not undertaken by the secured party and/or the grantor of the security (including the registration of such security). The security interests securing the Notes may not be enforceable or maintain priority if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests.

In respect of security over claims against third parties (such as claims under contracts or book debts), if the third party debtor is not notified of the security interest, the holder of the security interest may have difficulty enforcing such holder's rights in the collateral with regard to such third parties. In addition, a debtor may discharge its obligation by paying the security provider and the third party may assert certain defenses and counter-claim until, but not after, the debtor receives a notification of the existence of the security interest granted by the security provider in favor of the security-taker over the claims the security-taker (as creditor) has against the debtor.

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

Upon the occurrence of certain events constituting a "change of control" under the Indenture, the Issuer would be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding notes, including the Notes, or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our Senior Facilities Agreement and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not.

Any failure by the Issuer to offer to purchase the Notes following a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under certain other indebtedness. See *"Description of the Notes—Change of Control"*.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under *"Description of the Notes—Change of Control*", the Indenture does not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if at the time our consolidated net leverage ratio is less than certain specified levels. See *"Description of the Notes—Change of Control*" and "*Description of the Notes—Certain Definitions—Specified Change of Control Event."*

The definition of "Change of Control" in the Indenture includes a disposition of all or substantially all of the assets of EHIL and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Issuer's assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The Guarantees will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may adversely affect their validity and enforceability.

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. The Indenture provides that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor. See "*Description of the Notes—Guarantees"* and *"Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*".

The Guarantees and the enforcement thereof are subject to certain generally available defenses. Defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

If one or more of the foregoing laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of that Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the relevant Guarantee has the effect of giving a creditor a preference or the creditor was aware that the relevant Guarantor was insolvent when the relevant Guarantee was given;

- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and/or the relevant Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of the relevant Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

We cannot assure you which standard a court would apply in determining whether any Guarantor was "insolvent" at the relevant time or that, regardless of method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date a Guarantee was issued, that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances or on other grounds. There is hence a possibility that a Guarantee may be set aside, in which case the relevant entire guarantee liability may be extinguished. If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided that Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and the other Guarantor(s).

The insolvency laws of Ireland or the jurisdiction of incorporation or formation of each of the Guarantors may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.

The rights of holders under the Notes and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and you may not be able to effectively enforce your rights in such complex, multiple bankruptcy or insolvency proceedings. The Notes will be issued by eircom Finance DAC, which is incorporated under the laws of Ireland, and will be guaranteed by entities organized or incorporated in England and Wales, Ireland, Grand Duchy of Luxembourg, the State of Delaware and Jersey. In the event of a bankruptcy or insolvency event, proceedings could be initiated in Ireland or in one or more other jurisdictions in which the Guarantors are domiciled. Such multi-jurisdictional proceedings are likely to be complex and costly and otherwise may result in greater uncertainty and delay regarding the enforcement of the rights of holders of the Notes. The bankruptcy laws of these jurisdictions may be less favorable to your interests as a creditor than the bankruptcy laws of the U.S. or any other jurisdiction you may be familiar with, including in respect of priority of creditors, the ability to obtain post-petition interest and the ability to influence proceedings and the duration thereof, and this may limit your ability to receive payments due on the Notes. In the event that any one or more of the Issuer, the Guarantors, any future guarantors of the Notes, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer and certain other transactions, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce the rights of holders of the Notes under the Guarantees or the rights of holders of the Notes under the relevant collateral for the Notes in these jurisdictions and limit any amounts that you may receive. In addition, in actions brought in countries outside of the United States, courts may choose to apply their own law rather than the law of the State of New York, which governs the Indenture, the Notes and the Guarantees. The application of foreign law may limit your ability to enforce your rights under the Notes and the Guarantees. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for further information.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

The Additional Notes offered hereby in reliance on Regulation S will have a different restricted trading period than the Original Notes offered in reliance on Regulation S, such that for the 40 day period after the closing date of the Offering, such Additional Notes will not be fungible with such Original Notes for trading purposes. Accordingly, such Additional Notes will be new securities for which there is no existing trading market and, as such, there can be no assurance that an active or liquid trading market will develop in respect of such Additional Notes in the future.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market of the Irish Stock Exchange, we cannot assure you that the Notes will become admitted or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Global Exchange Market, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Irish Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market. In addition, the Indenture allows us to issue additional notes of such series in the future which could adversely impact the liquidity of the Notes.

You may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and substantially all of our Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted primarily outside the United States. Substantially all of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers resident outside the United States. In addition, as substantially all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are primarily located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States. See "*Service of Process and Enforcement of Civil Liabilities*".

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies have assigned and may from time to time assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

None of the Notes and the Guarantees have been, or will be, registered under, and we are not obliged to register the Original Notes, the Additional Notes or the Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "*Transfer Restrictions*". We have not agreed to or otherwise undertaken to register the Original Notes, the Additional Notes or the Guarantees, and do not have any intention to do so.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until Notes in definitive registered form, or definitive registered notes are issued in exchange for Book-Entry Interests (as defined below) (which may occur only in very limited circumstances), owners of Book-Entry Interests will not be considered owners or holders of Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch, as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold Book-Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we, the Trustee, the Paying Agent, the Registrar and the Transfer Agent will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book-Entry Interests. Accordingly, if you own a Book-Entry Interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of Book-Entry Interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the definitive registered Notes are issued in respect of all Book-Entry Interests, if you own a Book-Entry Interest, you will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

Investors in the Notes may have limited recourse against the independent auditors.

See "*Independent Auditors*" for a description of the independent auditors' reports on the consolidated financial statements of EHIL. In accordance with guidance issued by The Institute of Chartered Accountants in Ireland, each of the independent auditors' report states that: it was made solely to EHIL's members, as a body, in accordance with Section 39 of the Companies Act 2014; the independent auditors' audit work was undertaken so that the independent auditors might state to EHIL's members those matters that were required to be stated to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, the independent auditors do not accept or assume responsibility to anyone other than EHIL and EHIL's members as a body for their audit work, their audit report or for the opinions they have formed. The independent auditors' reports for the accounting periods for the financial years ended June 30, 2016 and June 30, 2015 were unqualified. PricewaterhouseCoopers were the auditors of EHIL for these accounting periods. The independent auditors' report for EHIL for the financial year ended June 30, 2016 is included on page F-2 of this Annual Report.

Prospective investors in the notes should understand that in making these statements the independent auditors confirmed that they do not accept or assume any liability to parties (such as purchasers of the Notes) other than EHIL and its members as a body with respect to the report and to the independent auditors' audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act or in a report filed under the U.S. Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the notes may have against the independent auditors based on their report on the consolidated financial statements to which it relates could be limited.

The Additional Notes offered hereby in reliance on Regulation S will be initially issued with temporary ISINs and common codes. In the event that we are unable to transfer such Additional Notes to the permanent ISINs and common codes, such Additional Notes will continue to trade under a separate ISIN and common code to the Original Notes offered in reliance on Regulation S, which may adversely affect the liquidity of the Additional Notes and cause the Additional Notes to trade at different prices than the Original Notes.

Once the Additional Notes offered hereby in reliance on Regulation S have become freely tradeable upon the expiration of the relevant restrictive period under Regulation S, we expect that such Additional Notes will share a single ISIN and a single common code with the Original Notes offered in reliance on Regulation S, and that the Additional Notes and the Original Notes will thereafter be fungible. However, in the event that we are unable to transfer the Additional Notes offered in reliance on Regulation S to the permanent ISIN and common code, such Additional Notes will continue to trade under separate ISINs and common codes to the Original Notes offered in reliance on Regulation S, which may adversely affect the liquidity of such Additional Notes and cause such Additional Notes to trade at different prices than the Original Notes offered in reliance on Regulation S.

Risks Related to Our Ownership

The interests of our principal shareholders may conflict with your interests.

As a result of the Examinership restructuring process carried out in 2012, our business was transferred to EHIL, a 100% owned subsidiary of eircom Holdco S.A., which, excluding a small number of non-participating lenders, was entirely owned by the first and second lien senior lenders under our previous senior facility. The Examinership also resulted in a write down of the previous senior facility with the former first and second lien senior lenders lending to the Group under the terms of the Senior Facilities Agreement as a single class of lenders. The Senior Facilities Agreement and the securityholders deed each included a "staple" provision that restricted any transfer of equity unless the same proportion of that lender's commitments under the Senior Facilities Agreement are also transferred to the same buyer and *vice versa*.

As a result of the Examinership and staple provisions, our ultimate shareholders (excluding interests held for the purposes of the management incentive plan) were also lenders under the Senior Facilities Agreement, and remained so during the staple period. See "*Business—History*". Pursuant to the amendment and restatement of the Senior Facilities Agreement in April 2014, the debt and equity staple, which had been due to expire in June 2014, ceased with effect from April 2014, thereby allowing the debt and equity to be traded separately. See "*Description of Other Indebtedness—Debt to Equity Staple*". A number of the lenders under the Senior Facilities Agreement continue to be shareholders in eircom Holdco S.A., and the interests of these senior lenders may be influenced by their shareholding interest (and vice versa) and may be different from the interests of the holders of the Notes and from creditors generally, including in any enforcement or insolvency proceedings (whether by way of examinership or otherwise). See "*Principal Shareholders*". In addition, the interests of the lenders of our Senior Facilities, and our principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. Our shareholders are able to appoint a majority of our Board of Directors and thereby indirectly to determine our corporate strategy, management and policies. In addition, our shareholders have control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of shareholders regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture, the Senior Facilities Agreement and the Intercreditor Agreement so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussions together with the consolidated financial statements of EHIL and the related notes to those financial statements. EHIL has prepared audited consolidated financial statements for the years ended June 30, 2016 and 2015 and unaudited condensed consolidated financial statements for the quarters ended June 30, 2016 and 2015 in accordance with IFRS. IFRS differs in certain significant respects from U.S. GAAP.

In this section, references to "we", "us", "our" or other similar terms refer to eircom Holdings (Ireland) Limited.

Presentation of Financial Information of the Company

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the year ended June 30, 2016 applies the equity method of accounting for the investment in Tetra.

Overview

We are the sole telecommunications provider in Ireland that offers quad-play bundles on our own integrated network, and we offer a range of retail and wholesale services. We are the principal provider of fixed line telecommunications and operate the third largest mobile telecommunications provider.

Our fixed line division provides high-speed broadband, voice and data services to individual consumers, business users and to wholesale customers. The fixed line division contributed 74% of our revenue (before inter-segment eliminations) for the twelve months ended June 30, 2016. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our total revenue market share of the total Irish market (including mobile) was 35% for the quarter ended March 31, 2016. Our mobile division includes Meteor and eir Mobile, which provides mobile services to bundled customers, and is also the brand used in the eir Business division. The mobile business contributed 26% of our total revenue (before inter-segment eliminations) for the twelve months ended June 30, 2016. Revenue for the twelve months ended June 30, 2016 was €1.3 billion and EBITDA was €505 million (before storm costs).

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV, fixed-telephony and mobile services from a single provider, at an attractive price and on one bill. In October 2012, we launched our fixed/mobile convergence ("**FMC**") bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eir Vision, our IPTV service over our fibre network in January 2014, becoming at the time the first quad-play provider of fixed voice, broadband, mobile and TV services in Ireland. We continue to evolve our TV proposition which now includes video on demand, TV everywhere and additional sports content through the acquisition of Setanta Sports, which was rebranded to eir Sport in July 2016.

Our strategy to connect everyone and everything in Ireland, whether by high-speed broadband, voice, mobile data or enterprise datacomms, is underpinned by a major program of capital expenditure which has facilitated the transformation of our business. Between June 30, 2012 and June 30, 2016 we have spent €1.3 billion, or 25% of revenue, in relation to the roll-out of our fibre network, investments in spectrum, the roll-out of 4G services, new IT capabilities, TV content development, and a new converged billing system which provides our customers with a single bill for bundled services. We were the first operator in Ireland to roll-out 4G services and our fibre network now passes 1.6 million homes and businesses in Ireland.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy. During 2015, the annual growth in Irish personal consumption spending was 5.3% in 2015, and GDP growth was the highest of the 28 countries in the EU in the same year, and further growth is expected in 2016.

Key Factors Affecting Results of Operations

Economic Climate

Substantially all of our revenue is generated in Ireland and because of this, our financial performance is influenced by the strength of the Irish economy. Historically, in Ireland, the telecommunications sector has shown a positive correlation with GNP.

In 2013 and 2014, Ireland's GDP began to increase. In terms of GDP, Ireland was the fastest growing economy in the Eurozone in 2015 (Source: Irish Central Statistics Office). Unemployment has declined from 12.2% at the beginning of 2014 to 10.1% in January 2015, and 8.6% in the first quarter of 2016, according to the Central Statistics Office (Ireland). Ireland exited the Troika bailout in December 2013, and in January 2014 made a return to the bond market. All three credit rating agencies, Moody's, S&P and Fitch, upgraded Irish sovereign debt to investment grade status during 2014. On May 14, 2016, Moody's further upgraded Ireland's sovereign debt status to A3 (positive outlook). The improvement in the economic climate in Ireland and an increase in consumer and business confidence has, in turn, had a positive impact on our results. Our revenue, on an adjusted basis, was €1,310 million for the twelve months ended June 30, 2016 and our EBITDA (after storm costs) was €500 million for this period, representing an increase of 3.5% and 3.9% respectively compared to the corresponding prior year period. We believe that our ability to continue to increase our revenue and profitability will depend, in part, on continued improvement in the economic condition of the Irish economy.

Changes in Market Dynamics

Irish fixed line telecommunications market

In Ireland, revenues from fixed line services in the quarter to March 31, 2016 represented 49% of total communications revenue (including wholesale and broadcasting retail revenue), according to ComReg. Our market share, based on revenue, in the Irish retail fixed line market declined from 45.3% for the quarter ended March 31, 2015 to 44.7% for the quarter ended March 31, 2016, according to ComReg. Our share of the fixed line revenue market has declined in the face of competition from other retail fixed line telecommunication providers (such as Virgin Media, Vodafone and Sky) and wholesale fixed line telecommunication providers (such as BT), as well as from the continued migration of fixed line subscribers to mobile services.

Fixed line telephony

Consistent with the experience of other fixed line operators in the industry, our revenue from fixed line access and voice services has been, and we believe will continue to be, impacted by the substitution of fixed line telephone services for mobile services. Due to an increase in the volume of calls originating from mobile phones by subscribers of fixed line services, our retail voice traffic has declined. The decline in our retail voice traffic has contributed to a decline in our revenue from retail fixed line services, which has had a negative impact on our access and voice traffic usage revenue. We may continue to experience a decrease in demand for fixed line services due to the erosion of average selling prices in the Irish mobile market, the availability of mobile broadband enabling VOIP and other modern communication technology and new and improved communication services that will be facilitated by 4G technology.

All our fixed line OAO competitors in Ireland (other than Virgin Media) rely on our network to varying degrees, which generates wholesale revenue for us. Consequently, despite an increase in retail competition, some of its impacts are mitigated by the demand from OAOs for services offered by our wholesale division. Operators such as Vodafone, BT (and, indirectly, Sky) and 3 rely on our core and access networks for the provision of services to their end-users and business customers. For instance, we offer our wholesale customers services such as WLR, which allows OAOs to rent access lines on wholesale terms from us and resell those lines to their customers, and LLU, which involves the physical co-location of infrastructure owned by other OAOs on our premises. As a consequence, we often gain wholesale business when we lose retail business to OAOs. We do not, however, retain a portion of retail business lost to mobile operators or Virgin Media, although, through our mobile business, we also secure a proportion of traffic that is lost due to fixed-to-mobile substitution.

In order to combat decreases in retail voice traffic and retail access lines, we are also continuing to introduce new services for our fixed line subscribers, such as bundles that bring together broadband, voice calls, TV and mobile services.

Fixed line broadband

The Irish fixed broadband market has continued to grow. According to ComReg, the Irish fixed broadband per capita penetration rate as of March 31, 2016 was 28.4%, representing an increase of 2.9% compared to December 31, 2013. Fixed broadband penetration remains behind the benchmarked EU 25 average of 30.2%. ComReg reported overall fixed residential broadband subscriptions (i.e., excluding business subscriptions and mobile broadband subscriptions) of approximately 1.1 million as of March 31, 2016. Based on the number of residential dwellings, fixed broadband penetration was 66.5% as of March 31, 2016, increasing from 65.1% as of March 31, 2015.

Growth in fixed broadband penetration is being driven by the demand for high-speed broadband services, which continues to increase as consumption of services requiring high bandwidth broadband, such as OTT and video streaming, increases. As a result, we expect the demand for high speed data to rise, which will drive further take up of our high speed fibre services at both a retail and wholesale level. According to Analysys Mason, the number of FTTH/FTTC and cable connections in Ireland will increase at a CAGR of 20% between 2015 and 2020, growing from 463,000 in 2015 to 1,155,000 in 2020. We will also continue to migrate our existing customers to high speed broadband (eir Fibre) while simultaneously attracting new customers through high-speed broadband capabilities and the provision of TV and bundled services. We believe the number of eir Retail access lines will remain largely stable, driven by demand for broadband rather than fixed voice services. We believe that our TV offering will be strengthened by our acquisition of Setanta Sports Ireland in April 2016, which was rebranded to eir Sport in July 2016, as it gives us access to premium sports content, which we expect will increase bundle penetration and reduce broadband and access churn.

Irish mobile telecommunications market

According to ComReg, the total number of subscribers in the Irish mobile telecommunications market was 5,795,416 as of March 31, 2016. As of March 31, 2016, Ireland had a mobile penetration rate of 124.5%, including mobile broadband and M2M (and 103.6%, excluding mobile broadband and M2M), according to ComReg. Market growth is expected to be driven largely by structural factors including new services such as B2B and M2M mobile services, growth in data consumption, bundled offerings and content. Accordingly, mobile operators' ability to increase their revenue, and defend and grow their subscriber base, will depend in large part on their ability to retain existing customers, convince mobile users to switch from competing operators and stimulate demand for new services, including 4G services.

Competition for customers among mobile communication providers is based principally upon the services and features offered, technical quality of the mobile network and its coverage, customer service, capacity, and increasingly price, with the introduction of growing numbers of packages bundling minutes, SMS and broadband downloads. These factors have intensified the competitive environment and, coupled with the price control of MTRs (enforced by ComReg), have had a negative impact on market ARPU's in both the prepay and postpay segments.

In the overall mobile sector, eir Group Mobile (eir Mobile and Meteor) had 18.6% share of the total subscriber market (including mobile broadband and M2M) by number of subscriptions as of March 31, 2016, which was broadly flat compared to March 31, 2015. The subscription market shares of Vodafone and 3 for the quarter ended March 31, 2016 were 38.5% and 35.2% (including mobile broadband and M2M), respectively, both also remaining broadly flat compared to March 31, 2015. Market share by subscribers for the quarter ended March 31, 2016 for Tesco Mobile, the largest MVNO in the market, (including mobile broadband and M2M), was 5.9% (according to ComReg). Excluding Mobile Broadband and M2M, eir Group Mobile (eir Mobile and Meteor) had 20.6% share of the subscription handset market as of March 31, 2016, which was flat compared to March 31, 2015 and Vodafone, 3 and Tesco each had 37.8%, 32.3% and 6.9% market shares as of March 31, 2016 (according to ComReg). In terms of revenue market share, eir had an 18.4% share of the total revenue market as of March 31, 2016, which was broadly flat compared to the quarter ended March 31, 2015 (according to ComReg).

The Irish mobile telecommunications market has also seen a trend of migration from prepay to postpay contracts in recent years. According to Analysys Mason, the percentage of postpay subscribers in the Irish mobile market is expected to increase from 51.4% in 2015 to 64.6% in 2020. Our postpay customer base has experienced strong growth:

subscriber numbers were 498,000 (including mobile broadband and M2M) as of June 30, 2016, representing an increase of 5% or 23,000 net additional postpay subscribers compared with June 30, 2015. We obtained 36% of all postpay net handset additions in the year ended March 31, 2016, according to ComReg. As of June 30, 2016, 47% of our mobile subscribers were postpay customers, an increase from 44% as of June 30, 2015. Growth in our postpay base has been partly driven by prepay to postpay migrations and our roll-out of campaigns encouraging postpay take up, specifically with mobile data offers.

The mobile prepay market in Ireland has been declining over the past few years, in part due to emigration and competitive market conditions and also due to the aforementioned prepay to postpay migrations. Our mobile prepay customers (including mobile broadband and M2M) as of June 30, 2016 were 561,000, representing a reduction of 8% compared to June 30, 2015. As of June 30, 2016, 53% of our mobile customer base (including mobile broadband and M2M) consisted of prepay subscribers, compared to 56% as of June 30, 2015. This reduction is in line with our strategy to migrate our higher value demographic prepay customer base to postpay contracts. Our proportion of prepay customers by subscriber number is higher than our main competitors but continues to reduce. As of March 31, 2016, the proportion of prepay customers by subscriber numbers for Vodafone and 3 Ireland was 44.8% and 43.2%, respectively, according to ComReg. The overall proportion of prepay customers in the telecommunications market in Ireland as of March 31, 2016 was 49.2%, having decreased from 51.5% as of March 31, 2015.

Prepay churn rates have remained generally consistent for the last three years and continues to be our key area of focus. The market remains highly competitive and we have introduced 15GB of data (as standard) for 4G prepay customers and unlimited social media data usage in response to the competitive environment. Our postpay churn rates have been stable in recent years and we believe they are in line with market averages.

Irish TV market

According to TAM Ireland, there were 1,574,000 TV homes in Ireland as of June 2016, representing a penetration of 92% of all Irish homes. According to Analysys Mason, pay-TV household penetration was estimated at 61.8% in 2015, of which satellite represents the most widely adopted broadcasting medium, attracting 38.7% of total TV households, followed by cable with a 19.0% share and IPTV with a 4.1% share.

As a result of technological improvements, broadband is increasingly being used for the distribution of IPTV and VoB services. As of the end of 2015, there were approximately 74,200 homes using IPTV services according to Analysys Mason. We commercially launched our IPTV services in Ireland in January 2014 and as of June 2016 we had 54,000 subscribers. Our IPTV product offering made us the first quad-play provider of fixed voice, data, mobile and TV services in Ireland.

Regulatory initiatives

Regulatory changes may result in a further decline in our fixed line market share in the future. In recent years, ComReg has taken a number of measures designed to increase further the competition in the Irish telecommunications market. These initiatives include, among others:

- introducing obligations in the wholesale markets to provide wholesale services to OAOs;
- applying cost orientation to the wholesale prices of our current generation services;
- restricting the scope of bundled product offerings that we are permitted to make to our retail customers;
- introducing price controls in regulated wholesale markets that also affect retail markets through obligations not to cause a margin squeeze between retail and wholesale products, and price controls requiring us not to cause a margin squeeze between combined wholesale services and the individual components of these combined services;
- implementing obligations across the industry to facilitate customers who wish to change operators, including enabling the porting of numbers in one working day; and

- chairing several industry fora, specific to developing regulated access products, including service level agreements, which are attended by Open eir (as the SMP operator), eir Retail and OAOs.

Decisions relating to NGA pricing and price bundling have established clarity regarding key regulatory rules on eir's NGA investment. While significant progress has been made to achieve a forward looking regulatory regime that reflects the current competitive realities of the market, these measures may result in further loss of our market share.

Bundling

As a result of significant investment in our network, described below under "*—Capital Expenditures and Investment*", we are well-positioned to offer bundles of telecommunications services. To retain and attract new customers, we offer initial promotional prices for bundles that include broadband, calls, TV and mobile. We introduced our first FMC packages in October 2012, providing customers with bundled fixed voice and broadband products and also mobile offerings. Following the commercial launch of our IPTV service over our fibre network in January 2014, we also began offering quad-play bundles. We believe there are significant opportunities within the triple- and quad-play market and that our broad geographic scope, the integrated nature of our network and our leading fixed line subscriber base will position us to compete effectively in this market. Our triple- and quad-play bundle penetration of 20% compares with triple- and quad-play bundle penetration of approximately 27% in the UK (according to Ofcom) and 69% in Portugal, according to Anacom.

Our provision of services and our prices are subject to extensive regulation, including a price cap on retail line rentals as well as the regulation of our wholesale prices, which typically must be cost oriented and must not cause a margin squeeze against the underlying component inputs. Cost orientation for certain products and services reflects the forward looking incremental costs of an efficient operator, rather than the actual costs we incurred.

Following a consultation process in relation to retail bundling, ComReg published its Final Decision D04/13 (*ComReg 13/14*) on February 8, 2013. We are required to give ComReg five working days' notification before launching bundles with a retail line rental component and obtain ComReg's approval. This decision provides pricing flexibility in bundled services through the segmentation of the market into competitive and non-competitive areas (through the establishment of larger exchange areas where competition is most intense); relaxing the margin squeeze test as the level of network unbundling increases; and using a portfolio approach instead of a product by product assessment which also allows us to obtain approval faster than prior to the decision. See "*Regulation—The Regulatory Regime—SMP Regulation of our retail fixed access products and services*".

Net impact of mobile substitution on our fixed line business

Like most fixed line telecommunications operators, our fixed line business is impacted by customers' use of mobile devices as a substitute for our services, both voice and broadband. It is likely that the increasing capability of mobile networks will continue to have a negative impact on fixed line volumes and revenue. Through our mobile business we are securing a proportion of traffic that is displaced from fixed to mobile.

We are continuing to introduce new service options for our customers, such as discount plans and value added bundles that offer reduced prices or unlimited usage for certain categories of calls, reduced prices for fixed-to-mobile calls and reduced costs for broadband within bundles, in order to make our services more attractive. We also highlight the value of our fixed line services such as higher bandwidth broadband, as compared to mobile.

Mobile termination rates ("MTR")

Following completion of a market review consistent with EU recommendations, ComReg imposed further reductions in MTR price caps which ensure MTRs are regulated on a symmetrical basis. From January 1, 2013, all MNOs and MVNOs have had to set their prices no higher than 2.60 cents per minute and from September 1, 2016, the maximum rate will be further reduced to 0.84 cents per minute in accordance with ComReg Decision D02/16 published on February 12, 2016. There will be further step-changes from January 1, 2017 and 2018 which will result in MTRs being reduced to 0.82 and 0.79 cents, respectively.

While MTR reductions will have the impact of decreasing our inbound revenue in the mobile business, it also reduces our interconnect costs on both the fixed and mobile businesses and therefore the impact on Adjusted EBITDA is broadly neutral.

Capital Expenditures and Investment

We have undertaken an extensive capital expenditure program to modernize our business and address recent trends in the telecommunications industry. Our capital expenditure program impacted our operating cashflow most notably in the years ended June 30, 2013, 2014,2015 and 2016, during which periods we invested €424 million, €325 million, €280 million and €270 million respectively, in our business. Our total investment in capital projects between June 30, 2012 and June 30, 2016 was €1.3 billion. Our capital expenditure over the last four years has related to the roll-out of our NGA fibre network, investments in spectrum to roll-out 4G services and improve 3G coverage and capability, investments in new IT capabilities and TV, set-up of a new billing system which provides customers with a single bill for fixed and mobile products, and general maintenance capital expenditure.

In May 2013, we launched high-speed broadband services over our NGA Fibre network and now offer speeds of up to 100 Mbps. As of June 30, 2016, we had invested over €390 million in our NGA Fibre network since beginning development, passing over 1.6 million premises and connecting 28% of premises passed, having grown our network from approximately 500,000, 900,00 and 1,300,000 premises passed as of June 30, 2013, 2014 and 2015, respectively. We intend to extend this footprint to 1.9 million premises as quickly as possible, reaching 80% of the premises in Ireland. With respect to subscribers, we connected 17,000 and 133,000 premises with our NGA Fibre network as of the years ended June 30, 2013 and 2014, respectively. We have continued this subscriber expansion, connecting 429,000 premises with our NGA Fibre network as of June 30, 2016. In September 2015, we introduced speeds up to 1 Gbps on our FTTH network. During 2015, we also deployed FTTH in Belcarra, County Mayo, to test the deployment of high speed broadband in rural communities. In early 2016, we made the decision to extend our fibre roll-out to 300,000 rural premises, using predominately FTTH technology, and expect to pass the first 100,000 by December 2016.

We expect that our NGA Fibre network will provide significant mobile backhaul capacity to serve our mobile business and will also enable generation of incremental revenues by making our network capacity available to other MNOs. The roll-out of our fibre network has been a key factor contributing to our ability to attract and retain broadband customers and has also facilitated our bundled offerings, which include fixed voice, broadband, TV and mobile. Demand for higher speed broadband has also contributed to decreasing churn over the past few quarters.

In addition to the investments we have made in our NGA Fibre network, we are continuing to invest in our mobile network. In September 2013, we became the first operator to launch 4G services in Ireland and have continued our roll-out of the 4G network throughout Ireland, and our coverage as of June 30, 2016 was 82% outdoor population coverage. The roll-out of 4G has helped to stabilise our ARPU as it has facilitated upselling of postpay packages and driven increased data usage by our subscribers. We launched 4G to prepay subscribers in November 2014. We have continued our investment in 3G data with extensive roll-out of UMTS 900 in particular on the western seaboard and with an extension of dual carrier HSPA+ which supports speeds of 42 Mbps. Following an extensive mobile network site roll-out program during 2014/2015, in June 2015 we ceased our national roaming agreement with Vodafone in the west, south west and north west of Ireland, enabling a nationwide 3G network. As a result of these improvements in our services, we have experienced significant increase in mobile data traffic while our customers experience improved data speeds on both 3G and 4G services. We intend to further increase 4G population coverage and continue to invest in improved customer experience on our network.

We have made significant investments in our IPTV service, eir Vision, which was commercially launched in January 2014, making us at present the only provider with quad-play infrastructure enabling fixed voice, data, mobile and TV services in Ireland. As of June 30, 2016, we had over 54,000 subscribers using our eir Vision service. We plan to develop our TV platform to become an open access platform and by leveraging our fixed and mobile infrastructure to provide TV throughout Ireland with streaming available both in the home and on mobile devices outside the home for our eir Vision customers. We believe that our TV offering will be strengthened by our acquisition of Setanta Sports Ireland in April 2016, which will give our customers access to premium sports content.

The investment in our advanced retail billing system has enabled us to deliver integrated fixed and mobile billing capabilities which are critical to the delivery of triple- and quad-play bundles.

Restructuring and cost management program

We have a strong track record of implementing effective cost reduction programs and continue to focus on improving earnings and cash flows by reducing operational expenditure. Over the past 4 years we have implemented a number of cost saving initiatives to reduce our operating cost base by over €128 million (excluding storm costs) on a net basis. Gross cost savings have been well in excess of this to enable us to fund investment in our growth strategy.

During this period, we reduced our employee headcount by over 2,000 full time equivalents (FTE) to 3,364 FTE. As a consequence, total pay costs excluding non-cash pension charges have been reduced by €84 million (excluding storm costs) in fiscal year 2016 compared to fiscal year 2012. This reduction in employee headcount has been achieved through a combination of efficiency measures and increased use of third-party outsource providers and has resulted in a significantly more flexible resourcing model.

We have achieved over €44 million (excluding storm costs) in non-pay cost reductions over the same period through a program of cost reduction initiatives across the organization.

We continue to maintain our focus on cost transformation and intend to achieve an efficient cost base that is suitable for our operations and competitive in comparison to other industry participants.

Employee Defined Benefit Pension Scheme

We operate pension schemes for our employees. In particular, we operate a defined benefit pension scheme for 77% of our fixed line employees (69% of all employees), part of which is funded by the Irish Government in respect of pre-1984 service. This pension scheme also covers a significant number of past employees.

In September 2013, we carried out a full actuarial valuation on a minimum funding standard and an ongoing funding basis. The eircom Superannuation Fund satisfied the requirements of Part IV of the Pensions Act 1990 (the Minimum Funding Standard) as of September 30, 2013 and at the scheme year ends of March 31, 2014 through March 31, 2016. The triennial funding valuation highlighted a surplus of €131 million of scheme assets over liabilities relating to past service obligations and a reduction in the employer contribution rate from 9.4% of pensionable salary (with an annual floor of €20 million) to 8.5% of pensionable salary with no floor effective from January 1, 2014. The next actuarial valuation is due to commence in September 2016.

As of June 30, 2016, the eircom Superannuation Fund had a deficit in accordance with IAS 19 of €346 million. The decrease in the deficit from €426 million as of June 30, 2015 is as a result of the increase in the fund assets over the period being greater than the increase in liabilities arising from the lower bond yield rates used to calculate the present value of future liabilities. IAS 19 (*Revised*) differs from the triennial funding valuation due to the application of AA– corporate bond yield rates to discount future liabilities. This is a non-cash accounting measure and there are no cash calls on the Company as a result of the difference in valuation methodologies. We are at present in discussion with the Minister for Finance, the Minister for Public Expenditure and Reform and the Trustees of the eircom Superannuation Fund and of the eircom No 2 Pension Fund in relation to the funding obligations of the Minister for Finance in respect of pre-1984 service by persons or categories of persons enumerated above. It may be that, in lieu of a funded obligation, the obligations of the Minister will be discharged on a Pay As You Go basis pursuant to agreed mechanisms.

There is currently no legislation in Ireland equivalent to the UK legislation which imposes debt on the employer to the extent that pension obligations are underfunded.

Going concern basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, which assumes that the eircom group will be able to continue in operational existence for the foreseeable future.

eircom Holdings (Ireland) Limited group has net liabilities of €782 million at June 30, 2016. The net liabilities of the eircom Holdings (Ireland) Limited group, included in the balance sheet at June 30, 2016 exclude liabilities in respect of borrowings of €196 million, as IFRS required certain liabilities emanating from the Examinership to be measured at fair value on the date of initial recognition and subsequently at amortised cost (see Note 23 to the eircom

Holdings (Ireland) Limited consolidated financial statements for the year ended June 30, 2016 contained elsewhere in this Annual Report).

The directors believe that it is appropriate to adopt the going concern basis of accounting notwithstanding our net liability position as the directors believe that based on forecasts of our operational cash flows, and trading results, we will be in a position to meet our obligations as they fall due and comply with our financial covenants, for the foreseeable future. For more information see Note 2 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended June 30, 2016 contained elsewhere in this Annual Report.

Results of operations—quarter ended June 30, 2016 compared with the quarter ended June 30, 2015

Commentary on results of operations for the quarter ended June 30, 2016

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the year ended June 30, 2016 applies the equity method of accounting for the investment in Tetra.

Furthermore certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial quarter.

Income Statement

The following table shows selected consolidated income statement data for eircom Holdings (Ireland) Limited from our operations for the periods indicated.

	For the quarter ended	
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**
	€m	**€m**
Continuing operations		
Revenue	325	336
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(191)	(195)
Amortisation	(15)	(29)
Depreciation and impairment of plant and equipment	(75)	(76)
Exceptional items	(8)	(41)
Profit on disposal of property, plant and equipment	-	7
Operating profit	36	2
Finance costs	(82)	(88)
Loss before tax	(46)	(86)
Income tax credit/(charge)	(2)	7
Loss for the quarter	(48)	(79)

Revenue

The following table shows a segmental split of revenues for the period from our fixed line and mobile businesses:

	For the quarter ended		
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**	**% Change 2015/2016**
	€m	**€m**	
Fixed line services and other revenue	250	261	4
Mobile services revenue	87	86	-
Total segmental revenue	337	347	3
Intracompany eliminations	(12)	(11)	(9)
Total revenue	325	336	4

Group revenue of €336 million for the quarter increased 4% compared to the corresponding quarter ended June 30, 2015.

Fixed line services

Fixed line services and other revenue

The following table shows our revenue from the fixed line segment, analysed by major products and services, and the percentage change for each category, for the periods indicated:

	For the quarter ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€ m	
Access (Rental and Connections)	124	122	(2)
Voice Traffic	57	59	4
Data Services	24	25	5
Foreign Inpayments	4	3	(37)
Other Products and Services	41	52	26
Total fixed line services and other revenue	250	261	4

Total fixed line services and other revenues, before intra company eliminations, increased by 4% in the quarter ended June 30, 2016 compared to the corresponding quarter in the prior year.

Access (rental and connections)

The following table shows rental, connection and other charges and the percentage changes for the periods indicated:

	For the quarter year ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€m	
Total access revenue			
Retail PSTN/ISDN rental and connection	58	53	(9)
Wholesale PSTN/ISDN/LLU rental and connection	29	30	3
Broadband rental and connection	37	39	6
Total access revenue	124	122	(2)
Access Line Base: PSTN & ISDN (000's)			
Retail	776	715	(8)
Wholesale WLR	474	501	6
Wholesale LLU	12	10	(14)
Total	1,262	1,226	(3)
DSL Lines: (000's)			
Retail	454	449	(1)
Wholesale	328	405	24
Total	782	854	9

Access revenues decreased by 2% in the quarter compared with the corresponding quarter of the prior year. Lower Retail access revenues were partially offset by growth in Wholesale revenues. Broadband revenues for the quarter ended June 30, 2016 were 6% higher compared to June 30, 2015 driven by growth in Wholesale.

Retail line rental and connection revenues decreased by 9% in the quarter ended June 30, 2016, compared with the corresponding prior year quarter, mainly due to a decline in PSTN and ISDN lines, which have been impacted by the continuing migration of customers to other operators and to mobile. Retail access lines at June 30, 2016 were 715,000, a reduction of 8% on June 30, 2015. In comparison to the corresponding quarter last year, Wholesale access lines increased by 6% from 474,000 to 501,000. As a result, Wholesale rental and connection revenue was €30 million in the quarter ended June 30, 2016 representing an increase of 3% compared with the corresponding quarter ended June 30, 2015.

Broadband revenue for the quarter of €39 million increased by 6% compared with the corresponding quarter in the prior year. Wholesale broadband volumes at 405,000 increased by 78,000 in the year and grew by 17,000 in the quarter. The Retail broadband customer base stood at 449,000 at June 30, 2016, which represented a decrease of 5,000 in the last 12 months.

We continue to address retail fixed line losses with a number of programmes, including rolling out fibre-based NGA fixed line services and offering bundled telecommunications services including TV. At June 30, 2016, the rollout of our high speed fibre network had passed over 1,600,000 premises and we had connected 429,000 retail and wholesale customers to high speed broadband services offering speeds of up to 100Mb/s. We commercially launched our IPTV proposition, eir Vision, in January 2014, enabling the first quad play offering in Ireland at the time. At the end of June 2016 we had 54,000 customers availing of TV.

Traffic

The following table shows total traffic revenue and volumes and the percentage changes for the periods indicated:

	For the quarter ended		
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**	**% Change 2015/2016**
	€m	**€m**	
Revenue			
Retail traffic	40	42	6
Wholesale traffic	17	17	(1)
Total traffic revenue	57	59	4
Traffic	**(in millions of minutes, except percentages)**		
Retail	462	400	(13)
Wholesale	1,147	1,053	(8)
Total traffic minutes	1,609	1,453	(10)

Retail fixed ARPU

	For the quarter ended June 30,	
	2015 (unaudited)	**2016 (unaudited)**
	(€ per month/percentages)	
Blended retail fixed ARPU[(1)(2)(3)]	46.1	49.8
Increase/(decrease) in blended ARPU from prior equivalent period (%)		8.3%

(1) We define "Blended retail fixed ARPU" as the average of the total retail subscriber revenue[(3)] divided by the average number of access subscribers in each month.

(2) We define "the average number of subscribers in the month" as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month.

(3) Subscriber revenue is equal to access retail rental revenue (PSTN and ISDN excluding connection revenue) and net core voice revenue (net of all rental discounts including promotional discounts) and net broadband revenue (Broadband rental net of bundle discounts).

Overall traffic revenue grew by 4% in the quarter ended June 30, 2016 compared to the prior year. Retail voice traffic revenues increased by 6% for the quarter ended June 30, 2016, compared with the corresponding quarter ended June 30, 2015. This was primarily driven by the introduction of new higher valued bundled offerings during the quarter ended June 30, 2016 resulting in an 8.3% uplift in retail voice ARPU in the quarter to June 2016 compared to the corresponding prior year quarter. This was partially offset by a reduction in traffic usage. Wholesale traffic revenues decreased by 1% in the quarter ended June 30, 2016 compared to the corresponding quarter in the prior year.

Data communications

The following table shows information relating to revenue from data communications products and services and the percentage change for the periods indicated:

	For the quarter ended		% Change
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	2015/2016
	€m	€m	
Data services revenue			
Leased lines	13	13	-
Switched data services	5	6	10
Next generation data services	6	6	12
Total data services revenue	24	25	5

Revenue from data communications was broadly flat compared to the corresponding period in the prior year.

Foreign Inpayments

The following table shows information relating to revenue and traffic from foreign inpayments and the percentage change for the periods indicated:

	For the quarter ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€ m	€ m	
Foreign terminating traffic revenue	4	3	(37)
	(minutes, million)		
Foreign terminating traffic minutes	137	133	(3)

Revenue from foreign terminating traffic decreased by €1 million during the quarter ended June 30, 2016, compared to the quarter ended June 30, 2015, which was mainly due to the year end requirement to complete bi-lateral commitment traffic levels. There is a similar year on year movement in foreign outpayments within cost of sales.

Other products and services

Other products and services revenue includes our 56% share of revenue from Tetra (net of consolidation eliminations), newly acquired Setanta Sports (consolidated from April 2016), our operations in UK, operator services, managed services, data centres and other revenue.

The following table shows information relating to revenue from other products and services, and the percentage change for the periods indicated:

	For the quarter ended		
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**	**% Change 2015/2016**
	€ m	**€ m**	
Operator services	4	3	(23)
Managed services and solutions	14	17	22
Tetra	5	5	(5)
UK	7	8	7
Data centre	4	4	(4)
Other revenue	7	15	121
Other products and services revenue	41	52	26

Revenue from other products and services in the quarter ended June 30, 2016 increased by 26% compared with the quarter ended June 30, 2015 mainly driven by Setanta revenue (included in Other revenue). Operator Services revenue decreased by 23% as a result of reduced calls to our 11811 directory enquiries service. Managed services revenue increased by 22% due to the delivery of a large Wholesale network solution. Tetra revenue of €5 million, UK/NI revenues of €8 million and Datacentre revenues of €4 million were broadly in line with the corresponding period in the prior year. Other revenue (including eir sport) increased by 121% due to increased revenues from TV services.

Mobile services revenue

The following table shows revenue from Mobile services, analysed by major products and services:

	For the quarter ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€m	
Prepay handset	28	26	(6)
Postpay handset	51	52	1
Mobile broadband	3	2	(13)
Roaming	1	1	14
Other	4	5	25
Total mobile services revenue	87	86	-

Total subscribers ('000)			
Prepay handset customers	594	554	(7)
Postpay handset customers	442	465	5
Mobile broadband customers	47	41	(13)
Of which are prepay customers	14	8	(44)
Of which are postpay customers	33	33	1
Total subscribers	1,083	1,060	(2)

Mobile services revenue comprises prepay and postpay revenues including interconnect, mobile broadband and eir Mobile. Other revenue is derived mainly from device sales and foreign roaming revenue.

Mobile revenue of €87 million for the quarter ended June 30, 2016 was in line with the corresponding quarter in the prior year. Postpay handset revenue grew by 1%, a 5% increase in postpay customers was partially offset by a reduction in ARPU due to increased bundling and promotional activity. Prepay handset revenue declined by 6% compared to the same period in the prior year driven by a volume decrease as customers continue to migrate to postpay. The proportion of postpay customers (including mobile broadband) within our base has increased from 44% at June 30, 2015 to 47% at June 30, 2016, representing an increase of 23,000 net additional postpay subscribers (including mobile broadband and M2M).

At June 30, 2016 there were 1,060,000 total mobile subscribers, a decrease of 23,000 compared with June 30, 2015.

Mobile ARPU

The following table shows the average revenue per user (ARPU):

	For the quarter ended June 30,	
	2015 (unaudited)	2016 (unaudited)
	(€ per month other than percentages)	
Prepay ARPU(1)(3)	15.3	15.4
Postpay ARPU(2)(3)	37.7	35.9
Total ARPU(4)	25.1	25.0

(1) We define "Prepay ARPU" as the measure of the sum of the total prepay mobile subscriber revenue including revenue from incoming traffic in the period divided by the average number of prepay mobile subscribers in the period divided by the number of months in the period.

(2) We define "Postpay ARPU" as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in the period divided by the average number of postpay mobile subscribers in the period divided by the number of months in the period.

(3) We define "the average number of mobile subscribers in the period" as the average of the total number of mobile subscribers at the beginning of the period and the total number of mobile subscribers at the end of the period.

(4) We define "total ARPU" as the total mobile subscriber revenue in a period divided by the average number of mobile subscribers in the period divided by the number of months in the period.

Mobile Churn

Our blended churn rate increased from 39.2% for the quarter ended June 30, 2015 to 40.6% for the quarter ended June 30, 2016. During the quarter ended June 30, 2016, postpay churn increased from 15.5% to 21.2% due to a loss of low ARPU generating machine to machine subscribers.

	For the quarter ended June 30,	
	2015 (unaudited)	2016 (unaudited)
Blended Churn rate(1)	39.2%	40.6%
Churn rate postpay(1)	15.5%	21.2%
Churn rate prepay(1)	57.5%	57.8%

(1) Quarterly churn rates are calculated by dividing the number of disconnections of subscribers during the quarter by the average number of subscribers in the same period and is on an annualised basis. The average number of subscribers does not include postpay subscribers without an active contract and prepay subscribers whose SIM card is connected to the network, but who have not paid for top-up or who have not decreased their balance in the previous 90 days by means of a transaction such as an outgoing call, SMS, MMS or mobile internet usage. We define "the average number of mobile subscribers in the year" as the average of the total number of mobile subscribers at the beginning of the year and the total number of mobile subscribers at the end of the year.

Operating costs before amortisation, depreciation and exceptional items

The following table shows information relating to our operating costs before amortisation, depreciation, and exceptional items, and the percentage change for the periods indicated.

	In the quarter year ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€m	
Cost of sales			
Foreign outpayments	4	3	(29)
Interconnect	29	28	(5)
Equipment cost of sales	11	12	16
Other including subsidiaries and new business	23	32	38
Total cost of sales	67	75	11
Pay costs			
Wages and salaries and other staff costs	61	61	-
Social welfare costs	3	3	6
Pension cash costs—defined contribution plans	1	1	11
Pension cash costs—defined benefit plans	4	3	(8)
Pay costs before non-cash pension charge and capitalisation	69	68	-
Capitalised labour	(20)	(19)	(1)
Total pay costs before non-cash pension charge	49	49	1
Non pay costs			
Materials and services	1	2	N/M
Other network costs	4	4	(1)
Accommodation	27	24	(11)
Sales and marketing	19	15	(19)
Bad debts	2	2	28
Transport and travel	3	3	(4)
Customer services	8	10	21
Insurance and compensation	1	1	(28)
Professional and regulatory fees	3	3	(3)
IT costs	5	4	(21)
Other non pay costs	1	1	(22)
Total non pay costs	74	69	(6)
Operating costs before non-cash pension charge, amortisation, depreciation, and exceptional items	190	193	2
Non cash pension charge/(credit)	3	4	33
Non cash fair value lease credits	(2)	(2)	0
Operating costs before, amortisation, depreciation, and exceptional items	191	195	2

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items increased by 2%, compared with the corresponding quarter of the prior year.

Cost of Sales

Cost of sales were €8 million higher in the quarter ended June 30, 2016 compared to the corresponding quarter in the prior year mainly due to cost of sales in relation to eir Sport. Other movements include:

- Foreign outpayment costs were €1 million lower in the quarter ended June 30, 2016 which correspond with a decrease in Foreign Inpayments on the revenue line.
- Interconnect payments to other telecommunications operators were broadly flat compared to the prior year.
- Equipment cost of sales were €1 million higher than prior year due to higher postpaid adds in the quarter.
- Other cost of sales (including eir Sport) were €9 million higher mainly driven by increased revenue from TV and managed services

Pay costs

Total staff pay costs, before non-cash pension charges, increased by 1% in the quarter ended June 30, 2016 compared to the corresponding prior year quarter, the increase driven mainly by pay inflation. FTE headcount at June 30, 2016 was 3,364 FTE, representing a net reduction of 27 FTE compared to June 30, 2015.

Total non-pay costs

Year on year non-pay costs reduced by 6% in the quarter ended June 30, 2016 compared to the corresponding prior year quarter:

- Materials and services costs were €1 million higher quarter on quarter mainly due to full year contract negotiations reflected in the quarter ended June 30, 2015.
- Accommodation costs decreased by €3 million compared to the corresponding prior year quarter primarily due to lower rent and rates.
- Sales and Marketing decreased by €4 million which is due to timing of spend. The full year sales and marketing costs are in line with the prior year for the twelve months ending 30 June 2015.
- All remaining costs in the quarter ended June 30, 2016 were all broadly in line with the prior year period.
- Customer Service costs increased by €2 million compared to the corresponding prior year quarter due to introductory discounts from outsourcing partner in the prior year.

Non-cash pension charge/(credit)

The non-cash pension charge represents the difference between the amount of cash contributions that the company has agreed to make to the fund during the period, on an accruals basis, and the accounting charges recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 (Revised) accounting charge is not aligned with the principles that the company applies in measuring its EBITDA. Therefore the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to operating profit.

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement during the period is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. At the date of acquisition, the group was required to recognise a liability for the difference between the amount of future rental payments that had been contractually committed to and the market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. The IFRS accounting treatment is not aligned with the principles that the company applies in measuring its EBITDA. Therefore an adjustment for the non-cash fair value credit is included in the reconciliation of EBITDA to operating profit.

Amortisation

Amortisation charges for the quarter ended June 30, 2016 were €29 million, €14 million higher than the prior year quarter, partly due to higher amortisation arising as a result of new intangible assets and partly due to the group amortising the Fixed Line Trademark (€6 million impact on the quarter) following the re-brand in September 2015. The Fixed Trademark intangible asset had an indefinite useful life as of 30 June 2015.

Depreciation and impairment of plant and equipment

The depreciation charges for the quarter ended June 30, 2016 were €76 million, which is in line with the prior year quarter charge of €75 million.

Exceptional costs

Net exceptional charges in the quarter ended June 30, 2016 of €41 million includes €23 million for restructuring programme costs, €15 million for onerous lease contracts and €2 million for other exceptional costs.

Finance costs (net)

The group's net finance costs for quarter ended June 30, 2016 of €88 million were €6 million higher than the corresponding prior year quarter due to lower interest amortisation and accelerated amortisation on the fair value debt adjustment offset by €16 million of costs incurred on the redemption of the 9.25% Notes, €9 million write off of the unamortised debt issue costs and amendment fees and lower discount rate on pension liability giving rise to interest costs in the quarter of €4 million.

Taxation

The tax credit for the quarter ended June 30, 2016 was €7 million and primarily relates to a deferred tax credit from the reduction in the carrying value of assets, mainly Trademark and fair value accounting uplifts on which a deferred tax charge was provided for in prior years.

Results of operations—financial year ended June 30, 2016 compared with financial year ended June 30, 2015

The amounts and commentary presented in the management discussion below include the results of the group's joint venture in Tetra Ireland Communications Limited ("Tetra") on a proportionate consolidation basis. In accordance with IFRS 11 'Joint Arrangements' the EHIL consolidated financial statements for the year ended June 30, 2016 applies the equity method of accounting for the investment in Tetra.

Furthermore certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial year.

Income Statement

The following table shows selected consolidated income statement data for eircom Holdings (Ireland) Limited from our operations for the periods indicated.

	For the financial year ended	
	June 30, 2015	June 30, 2016
	€m	€m
Continuing operations		
Revenue	1,265	1,310
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(786)	(817)
Amortisation	(53)	(88)
Depreciation and impairment of plant and equipment	(271)	(287)
Exceptional items	(31)	(68)
Profit on disposal of property, plant and equipment	1	7
Operating profit/(loss)	(125)	57
Finance costs	(228)	(226)
Finance income	-	-
Finance costs - net	(228)	(226)
Loss before tax	(103)	(169)
Income tax credit/(charge)	8	11
Loss for the year	(95)	(158)

Revenue

Overall revenue for the year ended to June 30, 2016 increased by 4%, compared with the respective prior year period. The following table shows a segmental split of revenues for the period from our fixed line and mobile businesses:

	For the financial year ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€m	
Fixed line services and other revenue	959	995	4
Mobile services revenue	352	358	2
Total segmental revenue	1,311	1,353	3
Intracompany eliminations	(46)	(43)	(7)
Total revenue	1,265	1,310	4

Fixed line services

Fixed Line Services and other Revenue

The following table shows our revenue from the fixed line segment, analysed by major products and services, and the percentage change for each category, for the periods indicated:

	For the financial year ended		
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**	**% Change 2015/2016**
	€ m	**€ m**	
Access (Rental and Connections)	486	489	1
Voice Traffic	216	224	4
Data Services	95	96	1
Foreign Inpayments	14	12	(14)
Other Products and Services	148	174	18
Total fixed line services and other revenue	959	995	4

Total fixed line services and other revenue before intra-company eliminations for the financial year ended June 30, 2016 was 4% higher than for the corresponding prior year period. Revenue increases across all major categories in the financial year ended June 30, 2016.

Access (rental and connections)

The following table shows rental, connection and other charges, and the percentage changes for the periods indicated:

	For the financial year ended		
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**	**% Change 2015/2016**
	€m	**€m**	
Total access revenue			
Retail PSTN/ISDN rental and connection	241	219	(9)
Wholesale PSTN/ISDN/LLU rental and connection	112	118	5
Broadband rental and connection	133	152	15
Total access revenue	486	489	1
Access Line Base: PSTN & ISDN (000's)			
Retail	776	715	(8)
Wholesale WLR	474	501	6
Wholesale LLU	12	10	(14)
Total	1,262	1,226	(3)
Broadband Lines: (000's)			
Retail	454	449	(1)
Wholesale	328	405	24
Total	782	854	9

Retail PSTN & ISDN line rental and connection revenue decreased by 9% in the financial year ended June 30, 2016, mainly due to a decline in PSTN and ISDN lines, which have been impacted by increased competition and the continuing migration of customers to other operators and to mobile. Retail Access lines as of June 30, 2016 were 715,000, a reduction of 8% on the prior year.

Wholesale rental and connection revenue was €118 million in the financial year ended June 30, 2016, an increase of 5% compared with the prior year. WLR lines have increased by 6% from 474,000 to 501,000 in the financial year ended June 30, 2016. Broadband revenue in the financial year ended June 30, 2016 was €152 million, an increase of 15% compared with the prior period. As of June 30, 2016, the number of Broadband lines have increased by 9% to 854,000 lines from 782,000 at June 30, 2015, driven mainly by an increase in the number of Wholesale customers.

Traffic

The following table shows information relating to our total traffic revenue and volumes, and the percentage change for the periods indicated:

	For the financial year ended		
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**	**% Change 2015/2016**
	€m	**€m**	
Revenue			
Retail traffic	151	159	5
Wholesale traffic	65	65	-
Total traffic revenue	216	224	4
Traffic	**(in millions of minutes, except percentages)**		
Retail	1,973	1,699	(14)
Wholesale	4,551	4,319	(5)
Total traffic minutes	6,524	6,018	(8)

Retail Fixed ARPU

	For the financial year ended	
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**
	(€ per month/percentages)	
Blended retail fixed ARPU[(1)(2)(3)]	43.8	47.4
Increase/(decrease) in blended ARPU from prior equivalent period (%)		8.0%

(1) We define "Blended retail fixed ARPU" as the average of the total retail subscriber revenue[(4)] divided by the average number of access subscribers in each month.

(2) We define "the average number of subscribers in the month" as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month.

(3) Subscriber revenue is equal to access retail rental revenue (PSTN and ISDN excluding connection revenue) and net core voice revenue (net of all rental discounts including promotional discounts) and net broadband revenue (Broadband rental net of bundle discounts)

Retail traffic revenue increased by 5% in the financial year ended June 30, 2016 compared with the financial year ended June 30, 2015, primarily due to the introduction of new higher valued bundled offerings during the year ended June 30, 2016 which was partially offset by a reduction in traffic usage. Year on year wholesale traffic revenue was flat in the financial year ended June 30, 2016.

Data communications

The following table shows information relating to revenue from data communications products and services, and the percentage change for the periods indicated:

	For the financial year ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€m	
Data services revenue			
Leased lines	53	53	-
Switched data services	21	20	(6)
Next generation data services	21	23	10
Total data services revenue	95	96	1

Revenue from data communications was €96 million in the financial year ended June 30, 2016, an increase of 1% compared with the prior financial year. Leased line revenue was in line with the prior year. Switched data revenue decreased by €1 million, while next generation data services increased by €2 million year on year reflecting a move from legacy products to next generation services.

Foreign Inpayments

The following table shows information relating to revenue and traffic from foreign inpayments and the percentage change for the periods indicated:

	For the financial year ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€ m	€ m	
Foreign terminating traffic revenue	14	12	(14)
	(minutes, million)		
Foreign terminating traffic minutes	643	551	(14)

Foreign inpayments revenue decreased by 14% in the financial year ended 30 June 2016 compared with the prior year.

Other products and services

Other products and services revenue includes our 56% share of revenue from Tetra (net of consolidation eliminations), Setanta Sports, revenue from our operations in UK, operator services, managed services, data centres and other revenue.

The following table shows information relating to revenue from other products and services, and the percentage change for the periods indicated:

	For the financial year ended,		
	June 30, 2015 (unaudited)	**June 30, 2016 (unaudited)**	**% Change 2015/2016**
	€ m	**€ m**	
Operator services	15	12	(18)
Managed services and solutions	40	58	43
Tetra	19	19	-
UK	30	31	4
Data centre	16	15	(5)
Other revenue	28	39	39
Other products and services revenue	148	174	18

Revenue from other products and services of €174 million for the financial year ended June 30, 2016 increased by 18% compared with the prior year. Operator Services revenue was 18% lower than in the prior year primarily due to reduced call volumes to our 11811 services. Managed services revenue increased by 43% due to a significant increase in managed services revenue in eir Business in addition to delivery of key milestones on a Wholesale networks solutions contract in the year ended June 30, 2016. Tetra, UK and Data Centre revenues were broadly flat with the prior year. Other revenue (including eir sport) increased by €8 million mainly driven by increased revenues from TV services.

Mobile services revenue

The following table shows revenue from our Mobile segment, analysed by major products and services:

	For the financial year ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€m	
Prepay handset	116	109	(6)
Postpay handset	200	210	5
Mobile broadband	10	9	(5)
Roaming	4	6	44
Other	22	24	11
Total mobile services revenue	352	358	2

Total subscribers ('000)			
Prepay handset customers	594	554	(7)
Postpay handset customers	442	465	5
Mobile broadband customers	47	41	(13)
Of which are prepay customers	14	8	(44)
Of which are postpay customers	33	33	1
Total subscribers	1,083	1,060	(2)

Mobile services revenue increased by 2% in the financial year ended June 30, 2016 driven by an increase in the postpay base and stabilisation of the prepay ARPU. The mobile business continued to grow the postpay handset customer base which stood at 465,000 at June 30, 2016, an increase of 23,000 compared to the June 30, 2015. The mix of the mobile customer base continues to improve; as at June 30, 2016 the postpay base represented 47% of total mobile subscribers, compared to 44% at June 30, 2015.

Prepay handset revenue reduced by 6% in the financial year ended June 30, 2016, due to a reduction in the number of prepay subscribers. The mobile prepay handset subscriber base reduced from 594,000 as at June 30, 2015 to 554,000 as at June 30, 2016.

Postpay handset revenue increased by 5% in the financial year ended June 30, 2016, due to a 5% growth in subscribers that was partially offset by a 3% reduction in ARPU driven by market competition and bundling. As of June 30, 2016 the total mobile customer base was 1,060,000.

Mobile ARPU

The following table shows the average revenue per user (ARPU):

	For the financial year ended June 30,	
	2015 (unaudited)	**2016 (unaudited)**
	(€ per month other than percentages)	
Prepay ARPU[(1)(4)]	15.8	15.6
Postpay ARPU[(2)(4)]	38.6	37.4
Total ARPU[(3)]	25.4	24.8

(1) We define "Prepay ARPU" as the measure of the sum of the total prepay mobile subscriber revenue including revenue from incoming traffic in a year divided by the average number of prepay mobile subscribers in the period divided by the number of months in the year.

(2) We define "Postpay ARPU" as the measure of the sum of the total postpay mobile subscriber revenue including revenue from incoming traffic in a year divided by the average number of postpay mobile subscribers in the period divided by the number of months in the year.

(3) We define "total ARPU" as the total mobile subscriber revenue in a period divided by the average number of mobile subscribers in the year divided by the number of months in the year.

(4) We define "the average number of mobile subscribers in the period" as the average of the total number of mobile subscribers including mobile broadband at the beginning of the year and the total number of mobile subscribers including mobile broadband at the end of the year.

Mobile Churn

The blended churn rate of 40.8% for the financial year ended June 30, 2016 remained broadly stable compared to churn of 40.5% for the financial year ended June 30, 2015. During the financial year ended June 30, 2016, postpay churn increased from 16.1% to 18.0%. Prepay churn increased from 58.2% in the financial year ended June 30, 2015 to 59.7% in the year ended June 30, 2016:

	For the financial year ended June 30,	
	2015 (unaudited)	**2016 (unaudited)**
Churn rate[(1)]	40.5%	40.8%
Churn rate postpay[(1)]	16.1%	18.0%
Churn rate prepay[(1)]	58.2%	59.7%

(1) Churn rates are calculated by dividing the number of disconnections of subscribers during the period by the average number of subscribers in the same period. The average number of subscribers does not include postpay subscribers without an active contract and prepay subscribers whose SIM card is connected to the network, but who have not paid for top-up or who have not decreased their balance in the previous 90 days by means of a transaction such as an outgoing call, SMS, MMS or mobile internet usage. We define "the average number of mobile subscribers in the year" as the average of the total number of mobile subscribers at the beginning of the year and the total number of mobile subscribers at the end of the year.

Operating costs before amortisation, depreciation, and exceptional items

The following table shows information relating to our operating costs before amortisation, depreciation, and exceptional items, and the percentage change for the periods indicated.

	In the financial year ended		
	June 30, 2015 (unaudited)	June 30, 2016 (unaudited)	% Change 2015/2016
	€m	€m	
Cost of sales			
Foreign outpayments	12	11	(6)
Interconnect	112	113	-
Equipment cost of sales	69	68	-
Other including subsidiaries	79	102	29
Total cost of sales	272	294	8
Pay costs			
Wages and salaries and other staff costs	243	247	1
Social welfare costs	12	12	1
Pension cash costs—defined contribution plans	4	4	5
Pension cash costs—defined benefit plans	15	14	(5)
Pay costs before non-cash pension charge and capitalisation	274	277	1
Capitalised labour	(73)	(70)	(4)
Total pay costs before non-cash pension charge	201	207	3
Non pay costs			
Materials and services	11	18	58
Other network costs	15	15	2
Accommodation	110	102	(7)
Sales and marketing	72	71	(2)
Bad debts	10	8	(11)
Transport and travel	12	12	(3)
Customer services	40	42	5
Insurance and compensation	2	3	57
Professional and regulatory fees	10	9	(8)
IT costs	23	22	(8)
Other non pay costs	6	7	8
Total non pay costs	311	309	(1)
Operating costs before non-cash pension charge, fair value lease credits, amortisation, depreciation, and exceptional items	784	810	3
Non cash pension charge	11	15	36
Non cash fair value lease credits	(9)	(8)	(11)
Operating costs before, amortisation, depreciation, and exceptional items	786	817	4

Total operating costs before amortisation, depreciation and exceptional items increased by 3% year on year.

Cost of Sales

Cost of sales in the financial year ended June 30, 2016 increased by 8% compared with the financial year ended June 30, 2015. Foreign outpayments were €1 million lower corresponding to lower revenue. Interconnect payments to other telecommunications operators and equipment cost of sales were in line with prior year. Other cost of sales were 29% higher mainly driven by increased revenue from new services – TV (including eir Sport) and managed services.

Pay Costs

Total pay costs before non-cash pension charges, in the financial year ended June 30, 2016 were €207 million, 3% higher compared to the prior year. Pay costs were impacted in the third quarter by storm costs of €1.5 million. The balance of the increase was driven by higher overtime and lower capitalised labour which was partially offset by a reduction in headcount from 3,691 as at June 30, 2015 to 3,364 as at June 30, 2016.

Non Pay Costs

Total non-pay costs decreased by 1% in the financial year ended June 30, 2016. Non-pay costs were also impacted by storm costs in the third quarter of €3.6 million.

- Materials and services costs increased by 58% compared to the year ended June 30, 2015 driven by the storm costs incurred in the third quarter.
- Accommodation costs decreased by 7% due to reduced rent and rates.
- Customer services costs increased by €2 million due to introductory credits from outsourcing partner in the prior year, while Insurance and Compensation costs increased by 57% primarily due to a credit in the prior year.
- All other costs were broadly in line with the prior year.

Non-cash pension charge

The non-cash pension charge represents the difference between the amount of cash contributions that the company has agreed to make to the fund during the year, on an accruals basis, and the accounting charges recognised in operating profit in accordance with IAS 19 (Revised). The IAS 19 (Revised) accounting charge is not aligned with the principles that the company applies in measuring its EBITDA. Therefore the non-cash pension charge is included as an adjustment in the reconciliation of EBITDA to operating profit included on page F-31 of this annual report.

Non-cash lease fair value credits

The non-cash lease fair value credit included in the income statement during the period is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. At the date of acquisition, the group was required to recognise a liability for the difference between the amount of future rental payments that had been contractually committed to and the market rent that would have been payable if those contracts had been entered into at that date. The liability is released as a credit to the income statement over the period of the relevant leases. The IFRS accounting treatment is not aligned with the principles that the company applies in measuring its EBITDA. Therefore an adjustment for the non-cash fair value credit is included in determining adjusted EBITDA.

Amortisation

Amortisation charges for the financial year ended June 30, 2016 of €88 million, were €35 million higher than the prior year, partly due to higher amortisation arising as a result of new intangible assets and partly due to the group commencing amortisation of the Fixed Line Trademark following the re-brand in September 2015. The charge for the year included €19 million in respect of amortising the Trademark from October 1, 2015. The Trademark had an indefinite useful life as of June 30, 2015.

Depreciation and impairment of plant and equipment

The depreciation charges for the financial year ended June 30, 2016 were €287 million, €16 million or 6% higher than the prior year, mainly due to the high investment by the group in key strategic projects. The charge also includes accelerated depreciation of €3 million on Telephone House assets written off in the first quarter of the financial year following the lease expiry.

Exceptional Items

There was an exceptional charge of €68 million for the financial year ended June 30, 2016, compared with an exceptional charge of €31 million for the corresponding prior year period.

The group has included an exceptional charge of €27 million for restructuring programme costs in respect of staff exits in the year ended June 30, 2016. The charge relates to staff who had either exited the business, or were committed to exiting the business, at June 30, 2016.

The group has also recognised exceptional charges of €18 million for re-branding and other strategic review costs, €5 million for management incentive plan ("MIP") and €21 million for onerous lease contracts and other exceptional costs in the year ended June 30, 2016. These charges were partially offset by exceptional credits of €3 million, mainly due to the release of dilapidation provisions in respect of Telephone House that were carried forward from the previous year.

In the prior year ended June 30, 2015, the exceptional charge of €31 million comprised of €14 million for strategic review costs, €12 million for MIP and €12 million for certain legal matters offset by €7 million excess provisions carried forward from the previous year.

Finance costs (net)

The group's net finance costs for year ended June 30, 2016 of €226 million were €2 million lower than the prior year due to lower interest amortisation and accelerated amortisation on the fair value debt adjustment offset by €16 million of costs incurred on the redemption of the 9.25% Notes, €9 million write off of the unamortised debt issue costs and amendment fees and €11 million fair value movement on derivatives not qualifying for hedge accounting.

Taxation

The tax credit for the year ended June 30, 2016 was €11 million and primarily relates to a deferred tax credit from the reduction in the carrying value of assets, mainly Trademark and fair value accounting uplifts on which a deferred tax charge was provided for in prior years.

Liquidity

The table below sets out certain information related to our cash flows.

	For the financial year ended	
	June 30, 2015	June 30, 2016
	€m	€m
Cash flows from operating activities		
Cash generated from operations	433	472
Interest paid	(129)	(133)
Income tax (paid)/refund received	-	(17)
Net cash generated from operating activities	304	322
Cash flows from investing activities		
Acquisition of subsidiary undertaking, net of cash acquired	-	(22)
Purchase of property, plant and equipment ("PPE")	(249)	(227)
Purchase of intangible assets	(43)	(66)
Proceeds from sale of PPE and intangible assets	6	9
Restricted cash	6	(1)
Loans advanced to holding company	(14)	-
Net cash used in investing activities	(294)	(307)
Cash flows from financing activities		
Dividend paid to equity shareholders	(1)	(1)
Repayment of borrowings	(247)	(2,535)
Proceeds from loan borrowings	238	2,367
Proceeds from issuance of 4.5% senior Secured Notes	-	500
Repayment of 9.25% senior Secured Notes	-	(350)
Costs on redemption of 9.25% senior Secured Notes	-	(16)
Debt issue costs	-	(9)
Fees paid in respect of Revolving Credit Facility	-	(3)
Amend and extend fees	(7)	(4)
Net cash used in financing activities	(17)	(51)
Net decrease in cash, cash equivalents and bank overdrafts	(7)	(36)
Cash, cash equivalents and bank overdrafts at beginning of financial year	199	192
Cash, cash equivalents and bank overdrafts at end of financial year	192	156

Net cash generated from operating activities

Our primary source of liquidity is cash generated from operations, which represents operating profit adjusted for non-cash items which are principally depreciation, amortisation, impairment, non-cash pension charge, non-cash lease fair value credits and certain non-cash exceptional items. Cash flows from operating activities are also impacted by working capital movements and restructuring and other provision payments.

In the financial year ended June 30, 2016, net cash generated from operating activities increased to €322 million from €304 million in the prior financial year (increase of €18 million). The increase was primarily related to lower restructuring (incentivised exits) payments (decrease of €27 million, from €35 million in the prior financial year to €8 million in the financial year ended June 30, 2016) and lower provision payments (decrease of €8 million, from €21 million in the prior financial year to €13 million in the financial year ended June 30, 2016), offset by tax payments in the year of €17 million.

Cash flows from investing activities

On April 1, 2016, the group acquired 100% of Setanta Sports Channel Ireland Limited and paid an upfront purchase consideration in cash of €22 million to the owners of the company.

In the financial year ended June 30, 2016, we made payments for capital expenditure (cash) of €293 million compared to the capital expenditure (cash) of €292 million in the prior financial year. The capital expenditure in the year, which is in line with the prior year, shows the continued commitment by the group to invest in key strategic projects.

In the financial year ended June 30, 2016, eircom sold a number of properties, and after allowance for certain costs relating to the disposals, received net proceeds of €9 million.

In the financial year ended June 30, 2016, we had cash outflows in respect of restricted cash deposits of €1 million relating to certain commercial contracts compared to prior year inflows of €6 million. In the prior year we received refunds from ComReg of €3 million in relation to the USO (Universal Service Obligations) and 3G performance bond and also received refunds of €3 million from various institutions in relation to certain commercial contracts.

During the year ended June 30, 2015, the group advanced a loan of €14 million to the ultimate holding company, eircom Holdco SA. The loan was advanced following the decision by the Board of Directors of eircom Holdco SA to exercise a call option over vested shares in eircom Holdco SA held by departing executives through the Management Incentive Plan. The loan was used by eircom Holdco SA to repurchase the shares.

Cash flows from financing activities

On July 1, 2015, eircom Limited, the principal operating company of the group, effected a transfer of its business assets and liabilities to a fellow subsidiary of eircom Holdings (Ireland) Limited, eircom Limited (Jersey), a company incorporated in Jersey. On July 2, 2015, eircom Limited (Jersey) borrowed €2,367 million from group undertakings who borrowed the funds from a third party bank and paid this to eircom Limited (Ireland). eircom Limited (Ireland) repaid its loans from group undertakings and the group undertakings in turn repaid the third party bank with no increase in group borrowings.

In June 2016, the group issued €500 million in 4.5% Senior Secured Notes and used the proceeds to redeem the existing €350 million 9.25% Senior Secured Notes. The excess proceeds from the €500 million 4.5% Senior Secured Notes, along with cash on the balance sheet, were used to redeem the €159 million of outstanding Facility B2 borrowings. Costs of €16 million in relation to the redemption of the 9.25% Senior Secured Notes (redemption price of 104.625%) were paid in the period. Debt issue costs of €9 million on the 4.5% Senior Secured Notes and fees of €3 million in relation to the Revolving Credit Facility were paid in the period in relation to the various refinancing transactions.

In addition, in the financial year ended June 30, 2016, the group made repayments of €9 million in relation to the group's share of Tetra borrowings and these have now been paid in full. Also transaction costs of €4 million were paid in the year in relation to the previous year's amend and extend transaction.

In the financial year ended June 30, 2015, the group effected a further amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The Facility B3 borrowings of €1,863 million are subject to cash-pay interest at Euribor plus 4.5% margin. Transaction costs of €7 million were paid in the prior year in relation to this and the previous year's amend and extend transaction. The group also made loan repayments of €9 million in the prior year in relation to the group's share of Tetra borrowings.

Capital resources

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service obligations, other commitments, contractual obligations and acquisitions. Our primary sources of liquidity have been and will be cash flow generation from our operations and permitted borrowings, as well as the potential sale of non-core assets. Further information on our capital resources is disclosed in the notes to the consolidated financial statements of eircom Holdings (Ireland) Limited contained elsewhere in this Annual Report.

Contractual obligations and commitments

The following table sets out eircom Holdings (Ireland) Limited's contractual obligations and commitments (excluding interest) as they fall due for payment.

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total[1] €m
As of June 30, 2016					
Other borrowings	-	-	-	2,363	2,363
Operating leases	37	60	41	202	340
Capital commitments	76	-	-	-	76
	113	60	41	2,565	2,779

(1) Excludes derivatives

The funding requirements in respect of our defined benefit pension schemes are not included in the table above.

Capital Expenditures and Investments

The following table shows our capital expenditures defined as additions of property, plant and equipment and intangible assets for the years indicated.

	For the financial year ended June 30,	
	2015	2016
	€m	€m
Property, plant and equipment	239	214
Intangible assets	41	71
Total capital expenditure	280	285

For the financial year ended June 30, 2016, our capital expenditures amounted to €285 million, which related primarily to expenditures on our network as well as IT. Of the total capital expenditures, €214 million related to network, plant and equipment, €56 million to IT intangible assets and €15 million to TV content rights.

The financial covenants set under the Senior Facilities Agreement include annual maximum capital expenditure ("capex") limits for 2016 as outlined below. Following the SFA amendment process concluded in August 2016, the capex covenant has been removed and will not apply for financial year 2017 onwards.

Capital Expenditure: The aggregate capital expenditure related to investment is not permitted to exceed the amount set out below opposite that financial year. This applies up to financial year ended June 30, 2016 only. Unused amounts may be carried forward into subsequent years, subject to certain restrictions, and certain amounts may be pulled backward in certain circumstances.

Financial Year Ending June 30,	Maximum Expenditure
2014	€320,000,000
2015	€315,000,000
2016	€250,000,000

The amounts are subject to roll-forward for unused amounts equal to the lower of (i) the unused ordinary course capex amount or (ii) 50% of such maximum amount in the following year. The maximum expenditure amount specified above for any Financial Year may be increased by an amount equal to up to 25% of the maximum amount permitted for the immediately succeeding Financial Year which shall then be reduced by such amount.

During the year ended June 30, 2016, the company exercised the right to increase the maximum permitted Capital Expenditure for the Financial Year ending June 30, 2016. The amount of the pull back totalled €12 million and actual Capital Expenditure for the year ended June 30, 2016 was €270 million.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including interest rate fluctuations, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and management of the credit risk of counterparty institutions selected to hold assets.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including legal risk.

Interest Rate Risk Management

We are exposed to market risks as a result of changes in interest rates. Financial liabilities issued at floating rates, such as those under our Senior Facilities, expose us to cash-flow interest rate risk, while fixed rate financial liabilities expose us to fair value interest rate risk.

We manage our net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in our total financial debt portfolio. To manage this mix, on December 7, 2012 we entered into interest rate swap agreements with a nominal amount of €1.2 billion, with agreed-upon interest rate payments made on a quarterly basis. These interest rate swap agreements terminated on June 11, 2015. During the financial year 2015, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1.2 billion for a period of three years from 11 June 2015.

In addition, the group currently has €700 million of fixed rate 4.5% Senior Secured Bonds outstanding, for which there is no exposure to interest rate risk.

Further details are included in the notes to the consolidated financial statements of eircom Holdings (Ireland) Limited contained elsewhere in this Annual Report.

Foreign Exchange Rate Risk Management

We operate mainly in the currency of the primary jurisdiction in which we operate, the euro. Our exposure to currency risk has therefore been limited.

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments in the ordinary course of business and not for speculative purposes.

Credit Risk Management

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognised net book value.

We seek to minimise credit risk through a preventative credit check and security deposit process. We also seek to minimise credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk.

We additionally exercise timely post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate defaults in payment, different measures may be implemented: deposits or advanced payments can be required to customers, limitation to prepay offers, etc.);

- sending reminders to subscribers;

- employing measures for the collection of overdue receivables depending on strategy, portfolio and subscriber profiles (penalties, reconnection letter with an option for a new contract, etc.); and

- measuring and monitoring debt collection status through our internal reporting tools.

On the dealer side, we have a certain degree of concentration which we manage with the timing of payment of commissions after the activation of a new subscriber. Concentration of credit risk relating to accounts receivable from subscribers is limited due to their large number. For accounts receivable from foreign telecommunications operators, the concentration of credit risk is also limited due to netting agreements with accounts payable to these companies, prepayment obligations, imposed bank guarantees and credit limits.

Credit risk relating to cash and cash equivalents, derivative financial instruments and financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency.

To mitigate this risk, wherever possible, we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party. We also have a detailed treasury policy which provides a framework and parameters for managing the financial risks associated with the treasury functions.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated on our balance sheet.

Liquidity Risk

Liquidity risk arises primarily in connection with cash flows generated and used in financing activities, and particularly by capital expenditure servicing indebtedness, in terms of both interest and principal, and from all of our payment obligations that result from business activities. In general, we manage our liquidity risk by monitoring our cash flow and rolling liquidity reserve forecast in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

Critical Accounting Estimates

The preparation of our financial statements requires our management to make assumptions that affect the reported amount of assets and liabilities at the date of our balance sheet and the reported amounts of revenue and expenses during the fiscal period. Estimates and judgments used in the determination of reported results are continuously evaluated.

Estimates and judgements are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies and a description of our use of estimates and judgments are set out in note 5 to the consolidated financial statements of eircom Holdings (Ireland) Limited for the financial year ended June 30, 2016 included elsewhere in this Annual Report.

7. BUSINESS

Overview

We are the sole telecommunications provider in Ireland that offers quad-play bundles on our own integrated network, and we offer a range of retail and wholesale services. We are the principal provider of fixed line telecommunications and operate the third largest mobile telecommunications provider.

Our fixed line division provides high-speed broadband, voice and data services to individual consumers, business users and to wholesale customers. The fixed line division contributed 74% of our revenue (before inter-segment eliminations) for the twelve months ended June 30, 2016. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach. Our total revenue market share of the total Irish market (including mobile) was 35% for the quarter ended March 31, 2016. Our mobile division includes Meteor and eir Mobile, which provides mobile services to bundled customers, and is also the brand used in the eir Business division. The mobile business contributed 26% of our total revenue (before inter-segment eliminations) for the twelve months ended June 30, 2016. Revenue for the twelve months ended June 30, 2016 was €1.3 billion and EBITDA was €505 million (before storm costs).

A core element of our strategy is bundles, which offer customers the convenience of receiving high-speed broadband, TV, fixed-telephony and mobile services from a single provider, at an attractive price and on one bill. In October 2012, we launched our fixed/mobile convergence ("**FMC**") bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eir Vision, our IPTV service over our fibre network in January 2014, becoming at the time the first quad-play provider of fixed voice, broadband, mobile and TV services in Ireland. We continue to evolve our TV proposition which now includes video on demand, TV everywhere and additional sports content through the acquisition of Setanta Sports, which was rebranded to eir Sport in July 2016.

Our strategy to connect everyone and everything in Ireland, whether by high-speed broadband, voice, mobile data or enterprise datacomms, is underpinned by a major program of capital expenditure which has facilitated the transformation of our business. Between June 30, 2012 and June 31, 2016 we have spent €1.3 billion, or 25% of revenue, in relation to the roll-out of our fibre network, investments in spectrum, the roll-out of 4G services, new IT capabilities, TV content development, and a new converged billing system which provides our customers with a single bill for bundled services. We were the first operator in Ireland to roll-out 4G services and our fibre network now passes 1.6 million homes and businesses in Ireland.

We generate virtually all of our revenue in Ireland, where substantially all of our reported subscribers and customers are located. Demand for our products and services, including the penetration of high-speed broadband and TV bundles, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy. During 2015, the annual growth in Irish personal consumption spending was 5.3% in 2015, and GDP growth was the highest of the 28 countries in the EU in the same year, and further growth is expected in 2016.

In terms of the overall Irish telecommunications market, total market revenue (including retail and wholesale revenue but excluding satellite pay-TV) was €3.92 billion for the twelve months ended March 31, 2016 (*Source: ComReg*).

Fixed line services

We are the largest provider of fixed line telecommunications services in Ireland, offering broadband, voice, TV, datacomms and managed services to individual consumers and business users under the eir brand. We also offer other authorized operators ("**OAOs**") a range of wholesale services including high-speed broadband, voice and managed services under our new Open eir brand. According to quarterly data published by ComReg (ComReg 16/17), we had a market share for the quarter ended June 30, 2016 of 48.5% of the Irish fixed and wholesale line market, based on revenue, compared to 48.6% of revenue market share in the quarter ended March 31, 2015. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach, and other network operators therefore rely heavily on our infrastructure. We are also the leading provider of retail broadband services in Ireland with 449,000 retail and 405,000 wholesale customers as of June 30, 2016. As of June 30, 2016, we had 1,216,000 fixed line retail and wholesale telephone access lines (excluding wholesale Local Loop Unbundling ("**LLU**")) in service. Approximately 96% of our active access lines are in exchanges enabled to support both PSTN and ADSL permitting simultaneous, high-speed transmission of voice and data over our network.

Revenue (before inter-segment eliminations) from our retail fixed line services was €656 million for the twelve months ended June 30, 2016 and from our wholesale fixed line services was €339 million (including €13 million of revenue from networks and property income) for the twelve months ended June 30, 2016.

Mobile services

Our Mobile division is comprised of the Meteor and eir Mobile brands. The eir Mobile brand is used mainly for bundling in the consumer market, but is also the main brand used by our eir Business division. Through our capital investment program, we were the first mobile operator in Ireland to launch 4G services, and more recently we were the first operator to introduce free EU roaming. We are the third largest mobile operator in Ireland in terms of revenue and customers. According to data published by ComReg for the quarter ended March 31, 2016, we had an overall market share of 18.6% based on the number of subscribers, including mobile broadband, and 18.4% based on revenue, a market principally comprised of three large players: Vodafone Ireland Ltd ("**Vodafone**"), 3 and eir. Our mobile handset market share as of March 31, 2016 was 20.6%, according to data published by ComReg.

The mix of our mobile base continues to improve and, as of June 30, 2016, 47% of our customer base was postpay. Revenue (before inter-segment eliminations) for our mobile division for the twelve months ended June 30, 2016 was €359 million, compared to €352 million for the twelve months ended June 30, 2015, an increase of 2%. EBITDA was €70 million for the twelve months ended June 30, 2016, representing an increase of €12 million compared to the twelve months ended June 30, 2015. EBITDA margin increased to 20% for the twelve months ended June 30, 2016, from 16% for the corresponding prior year period.

History

In July 1999, the Irish government privatised Bord Telecom Éireann plc, (at the time Ireland's primary, and state owned, telecommunications company) in line with the EU requirement to liberalise the telecommunications industry. Further to the Irish government's decision to privatise, Bord Telecom Éireann plc was floated on the Irish, London and New York stock exchanges, and then changed its name to eircom plc.

In 2001, we disposed of our mobile phone segment and were taken private by the Valentia consortium. In 2004, we refloated on the Irish and London stock exchanges. In 2005 we re-entered the mobile phone market with the acquisition of Meteor, and were owned successively by the Australian investment group Babcock and Brown Limited (2006-2010) and Singapore Technologies Telemedia (2010-2012).

In March 2012, we entered examinership, a court protection system that allowed us to restructure our debt. We exited examinership in June 2012, and under the scheme of arrangement endorsed by a majority of our creditors, we were controlled by an entity ultimately controlled by our lenders under the Senior Facilities Agreement. Pursuant to the Amendment and Restatement of the Senior Facilities Agreement, the debt and equity staple, which had been due to expire in June 2014, ceased with effect from April 2014, thereby allowing the debt and equity to be traded separately. A number of our senior lenders continue to be shareholders in eircom Holdco S.A. See "*Description of Other Indebtedness—Debt to Equity Staple*".

In June 2012, we began the implementation of our five year strategic plan, underpinned by a program of significant capital expenditure including the roll-out of our NGA network and improvements to our mobile infrastructure to deliver our fixed-mobile converged strategy. During May 2013, we launched high speed broadband services over our NGA network and were the first to market with "quad-play" in January 2014 enabled by the launch of our IPTV offering, eir Vision. We continue to evolve our TV offering which now includes video on demand, TV across platforms and additional compelling sports content through the acquisition of Setanta Sports, which was rebranded as eir Sport in July 2016. Following the Irish spectrum auction in November 2012, we commenced the roll-out of our 4G (LTE technology) network, and were the first of the Irish mobile operators to commercially launch 4G services in September 2013. We achieved 82% outdoor population coverage as of June 30, 2016, compared to 26% at launch, and plan to extend to 95% by March 2017.

In May 2013, we returned to the capital markets with the issuance of € 350 million of Senior Secured Notes. In February 2014, Moody's upgraded our corporate family credit rating ("**CFR**") to B3, from Caa1, and S&P and Fitch upgraded their outlook to stable. In March 2014, we achieved our planned €100 million cost savings target ahead of schedule. In April 2014, the Senior Facilities Agreement was amended and the maturity of a significant portion of the loans was extended from September 2017 to September 2019. During April 2015, Fitch upgraded our rating from B- to B and this was followed in May by a change in outlook from Moody's, improving the outlook on our B3 rating from stable to positive. In June 2015, we further amended and extended the maturity of a significant portion of our debt to 2022 and also built in further operational flexibility by resetting our financial covenants under the Senior Facilities Agreement. During March and April 2016, Moody's upgraded our CFR from B3 to B2 (positive outlook), and both Fitch and S&P revised their outlooks to positive, from stable. As a result the outlooks of all the ratings agencies are positive which indicates favourable prospects with regard to further upgrades within the next twelve to eighteen months. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. In June of 2016 we returned to the capital markets to optimise our cost of debt by issuing a bond of €500 million at a rate of 4.5%, the proceeds of which were used to refinance the 2013 €350 million 9.25% notes and part of the term loan. Subsequent to the issuance of these notes a further €200 million bonds were issued in July 2016 at the same rate of 4.5% at an offering price of 101.5%. These proceeds were also used to refinance part of the term loan. This has further strengthened our capital structure and diversified our sources of funding between bonds and term loans. In August 2016, the Senior Facilities Agreement was further amended to bring the document in line with current market comparables and our bond documentation.

Our Brand

In September 2015, we launched our new brand, eir. According to the eir brand tracking research, conducted on our behalf by independent research agency Red C Research, 88% of Irish customers are now aware of our rebranding as of end June 2016. Recall of our rebranding advertising peaked at end March 2016, with 74% actively recalling advertising related activity from eir. As of end June 2016, 23% of Irish adults are more likely to consider eir as a result of the rebrand, with a further 70% at the same level of consideration as the previous brand. We have scored highly in terms of brand consideration, with Red C Research reporting that 45% of Irish adults would consider eir for fixed broadband. Awareness of our TV offering has grown steadily since launch, with 61% of the market now aware of our eir Vision TV service as of end June 2016 – an annual increase of 6% pts.

While Virgin Media now leads the market in terms of first choice brand consideration for residential broadband, we remain ahead of both Sky and Vodafone. Almost a quarter (23%) of Irish adults would currently consider eir to be their only or first choice provider. Our consideration levels were impacted by the launch of Sky's fibre offering in early 2015 and the increased competitiveness of the market. However a recent recovery in this metric (+2% pts. in latest quarter) is driven by continuous through the line brand and direct response marketing campaigns which include television, radio, press, outdoor and digital advertising.

The increase in the number of eir Fibre customers has considerably improved our customers' overall brand experience. Our Relationship Net Promoter Score ("**RNPS**"), which is a measure of the entire eir brand experience versus our competitors for home broadband has increased annually from +9% (for the twelve months to June 30, 2015) to +14% (for the nine months to March 31, 2016) driven by eir Fibre customers who report a RNPS score of +26%. Our continued strategy to upsell and cross sell to eir Fibre customers is paying dividends with higher RNPS scores reported by triple and quad-play customers.

eir's sponsorship of the Gaelic Athletic Association ("**GAA**") football championship had a positive effect in 2015, with improvements in both our association with GAA (+5% pts.) and increases in favourability (+2% pts.) towards eir as a result of the sponsorship. We have seen a drop in our sponsorship evaluation metrics in May 2016 as the new eir brand starts to grow its association in an area where its predecessor performed so well.

In July 2016 eir launched eir Sport. This means eir broadband customers can get 6 sports channels free in all eir broadband bundles. The 6 channel eir Sport pack includes: eir Sport 1 (formerly Setanta Ireland), eir Sport 2 (formally Setanta Sports 1), BT Sport 1, BT Sport 2, BT Sport Europe & BT Sport ESPN. This would give eir broadband customers access to 42 Premier League games, every Champions League and Europa League game, 35 European Rugby Champions Cup games, Allianz Leagues GAA, UFC and much more.

Corporate Social Responsibility

In 2016 eir launched a new Corporate Social Responsibility ("CSR") strategy through to 2019, further strengthening our commitment to CSR. eir has partnered with Special Olympics Ireland since 1985 making this the longest running CSR relationship in the country. Independent research conducted by Red C Research in August 2015 placed us in line with Vodafone in terms of spontaneous association with a CSR policy. The association with the Special Olympics Ireland ("SOI") continues to have a positive impact on the eir brand, with two thirds (67%) of Irish adults agreeing it's a good fit with their image of eir, a similar proportion (65%) agreeing that the sponsorship shows the long term commitment of eir to Irish society and 63% also agree that eir sponsorship of SOI shows that eir thinks beyond profit. eir's CSR strategy focuses on three key pillars of work, eir in the community, Diversity & Inclusion and Sustainability. This year eir launched a new CSR investment programme called the eir Fund – Connecting Communities. The programme is designed to engage and support small, grassroots charitable initiatives in communities throughout the island of Ireland.

Our Converged Service Platform

While our existing fixed line network is the most extensive in Ireland with respect to customer reach, providing nearly ubiquitous coverage of the population, we are also heavily investing in next generation technologies. We have already invested over €390 million in an NGA network that will provide fibre based services to customers through the deployment of a combination of FTTC and FTTH to over approximately 1.9 million homes and businesses and plan to complete this roll-out within approximately four years. This modernisation includes extending the reach of our current fibre back-haul core IP network to exchanges in the NGA footprint.

On May 20, 2013 we launched our high speed broadband services over our NGA network, and with the aid of vectoring technology now offer speeds of up to 100 Mbps, allowing high speed broadband and TV services to be delivered to our customers across the NGA fibre footprint. In September 2014, we passed 1,000,000 premises with fibre, and at June 30, 2016 our investment has facilitated our roll-out to 1.6 million, or 66% of Irish premises with high speed fibre. Our fibre network is competitively positioned, with over 95% of Virgin's broadband footprint also falling within the footprint of our fibre network as of March 31, 2016.

Continuing the evolution of our network, in September 2015, we rolled out our pilot FTTH program with broadband speeds of up to 1 Gb/s, passing over 30,000 premises across 18 regional communities. During 2016, we will commercially launch our roll-out of high-speed broadband to 300,000 premises in rural Ireland (which fall within the NBP planned intervention areas) and we plan to pass the first 100,000 premises by December 2016. Additionally, our NGA network will drive fibre deeper into our network and provide significant back-haul capacity to serve our own mobile business and will also serve as a means of generating incremental revenues by offering this capacity to other MNOs.

As of June 30, 2016, 429,000 retail and wholesale customers were availing of our fibre services, an increase from 280,000 at 30 June 2015. Our NGA network enables us to offer to our customers a quad-play bundle of services including fixed line voice and broadband, mobile voice and IPTV services providing linear and on-demand TV. Our advanced retail billing system, which was launched in conjunction with our NGA services, delivers integrated fixed and mobile billing capabilities which are critical to the delivery of triple- and quad-play bundles.

Our proposition has been further strengthened through the acquisition of Setanta Sports Ireland in April 2016 which has given eir access to exclusive sports content such as Premier, Champions and Europa League football, marking our first step into the TV content business. We rebranded to eir Sport in July 2016 and we believe this gives us a real point of differentiation against our competitors and we anticipate that it will reduce churn and further our bundle penetration strategy.

We believe that further potential exists for the development of bundles with the emergence of fixed voice, fixed broadband and TV triple-play services, as well as quad-play services incorporating mobile. Penetration of multi-play offerings in Ireland remains below levels seen in other European markets such as UK, Spain and Portugal. For example, penetration of triple-, quad- and quintuple play offers stood at 27% in the UK (as of 1Q 2015), 49% in Spain (as of 4Q 2015) and 67% in Portugal (as of 1Q 2016). We commercially launched eir Vision, our own IPTV service over our fibre network, in January 2014, enabling eir to offer a quad-play of services. We also see clear evidence of accelerated uptake of triple-play bundles through examination of RGU's per customer. Our consumer fixed line RGU per household was 2.06 as of June 30, 2016 and continues to see steady growth, with 20% of customer households subscribing to bundles with three or more products.

In addition to the investment being made in our NGA network we are continuing to invest in our mobile network. In September 2013, we launched 4G services utilising the spectrum acquired in the November 2012 ComReg auction and offer 4G outdoor coverage to 82% of the population as of June 30, 2016. Our 4G network will be integrated into our NGA network to provide a ubiquitous product agnostic delivery platform to our customers. The spectrum acquired has also enabled us to deploy 3G at 900 MHz, which is delivering improved 3G coverage and data speeds for over 99% of the outdoor population as of June 30, 2016.

In June 2016 we extended our 4G High Speed Data service to over 80% of population and have now commenced an accelerated 4G Rollout programme to upgrade close to 600 sites that will grow our 4G service to over 95% population in the first quarter of the financial year 2017. In parallel we have focused on high quality, reliable mobile connectivity and introduced High Definition voice in late 2015 to enable crystal clear voice calls with significantly reduced background noise. We have continued our focus on coverage blackspots to ensure seamless voice and data mobility for our customers.

Fixed Line and Mobile Services

We are the largest provider of fixed line telecommunications services in Ireland. According to ComReg, we had a total revenue market share of 48.5% of the Irish fixed line market for the quarter ended March 31, 2016. We have the most extensive fixed line telecommunications network in Ireland in terms of both capacity and geographic reach, and OAOs rely heavily on our infrastructure. Included in our fixed line revenue is the provision of fixed voice and broadband Internet services to households and businesses on a retail and wholesale basis. We sometimes use the terms "bitstream" and "ADSL" to refer to broadband products for wholesale and retail customers. Throughout this section, we will use broadband to refer to and describe these products. We leverage our extensive fixed line network and relationships to sell mobile services and offer bundles to consumers and businesses across Ireland. Our retail blended fixed line ARPU for the twelve months ended June 30, 2016 was €47.4. Our WLR PTSN plus bitstream ARPU for the same period was €32.5. Our prepaid mobile ARPU for the same period was €15.6, our postpaid mobile ARPU for the same period was €37.4 and our blended mobile ARPU for the same periods was €24.8.

Retail

Our retail fixed line business is composed of "consumer" and "business" end customers with whom we have a direct network and billing relationship. This is distinct from our wholesale business, in which we do not have a direct relationship with the end customer. As of June 30, 2016, we had 715,000 retail access lines and 449,000 retail broadband customers.

Consumer

The Consumer division is the largest division within the eir Group with revenues of €640 million for the twelve months ended 30 June 2016. We offer fixed and mobile services to approximately 1,500,000 customers comprising 528,000 fixed and 960,000 mobile customers as of June 30, 2016. We offer voice, high speed broadband, TV and mobile services to households and individuals under the eir and Meteor brands.

Fixed line

In line with the trend elsewhere in Europe, the retail voice subscriber base in Ireland has been contracting due to fixed-to-mobile substitution, albeit the rate of this decline has begun to slow. In response to this trend, we have focused on retaining our existing customers through re-contracting and promotional offers and attracting new customers through the sale of "dual-play", "triple-play" and "quad-play" service offerings comprising of fixed line voice, mobile voice, high-speed broadband and TV services to stabilise subscriber numbers and ARPU and grow RGU's. See "—Bundling" below for further details of these offers.

We are the market leader in fixed consumer broadband and we have 33.9% of the fixed broadband market at March 31, 2016, according to ComReg. Consumer residential broadband penetration in Ireland is at 66.5% as of March 31, 2016, and we believe that broadband penetration will grow given the demand for high-speed connectivity and therefore there exists an opportunity for us to maintain and grow our market position. In May 2013, we launched eir Fibre, our new high speed broadband service over our NGA network and further enhancements since then, facilitated by vectoring technology, enable us to offer broadband speeds of up to 100Mb/s. As of June 30, 2016, we had 200,000 eir Fibre customers, representing approximately 54% penetration of our consumer broadband base of 372,000.

On the back of improved product offerings and compelling range of bundled offerings, the first major price increase in 4 years was successfully announced in January 2015 and implemented in April 2015. A further price increase was successfully implemented twelve months later in April 2016.

Mobile

We continue to leverage our significant investment in our Mobile network. We were "first to market" with 4G services in September 2013, and, as of June 30, 2016 have 82% population coverage, and have improved our 3G coverage and in-building penetration. Our Meteor brand appeal has expanded to include prepay and higher value postpay customers. The brand is positioned as the "Value Champion", targeted at the younger "standalone mobile" market of renters and first time mobile owners with innovative data offerings at every price point. Our eir mobile offering, launched in September 2010 under the eir Mobile brand, is now targeted at the broader household market with a focus on offering bundled services, including mobile, TV and broadband to our fixed line customers. In September 2015, we launched a new prepay loyalty campaign called "Meteor Extras" which offers customers free cinema tickets and 2-for-1 dining and day out experiences. In addition, our existing customer data offerings have been refreshed to include 15 GB of data to increase loyalty and reduce churn. For more information about our Mobile division, see "*—Group Mobile*" below.

Bundling

Bundling is a key part of our strategy for addressing the decline in the fixed line market. As of June 30, 2016 there are 108,000 triple- and quad-play households making use of either fixed voice, broadband, mobile and TV. In September 2015, eir introduced a new simplified bundles portfolio. The objective of the new portfolio is to bundle in all types of voice usage, including calls to mobiles and international destinations, to protect against usage and revenue declines on these call types for which customers have recently been switching to OTT calling applications, such as Skype. We intend to add even more inclusive minutes and premium sports content through the acquisition of Setanta, having migrated the entire broadband base to the new bundles in August 2016.

In January 2014, we commercially launched eir Vision, our IPTV service, over our fibre network. eir is uniquely positioned to capitalise on growth in IPTV, leveraging our investment in the broadband and mobile networks. We offer a basic TV package for €15 per month, which includes over 55 channels, as well as additional customer options such as experience TV, which includes 30 extra channels for an additional €10 per month, HDTV, which includes 17 additional channels for an additional €5 per month and multi-room for an additional €5 per month. The TV user base continues to grow, with over 54,000 eir Fibre customers taking the eir Vision TV service as of June 30, 2016, representing a 27% penetration rate among our eir Fibre customer base. The eir Vision offering remains a highly competitive TV offering with full PVR capabilities as standard. When a customer chooses to add TV services to an existing account, we typically renew the contract covering the entire bundle for 18 months, which helps reduce churn. In November 2015, we launched a mobile TV App "eir Vision Go" offering eir Vision customers the ability to take their favourite channels out of the home across a range of mobile devices. As of June 30, 2016, approximately 11% of eir Vision customers are actively using eir Vision Go at least monthly. eir Vision Go is also free rated as part of a mobile bundle, meaning customers can enjoy live TV content on eir mobile free of data charges. The eir Vision platform is designed for the integration of third party applications (including Sky channels), which we believe represents a unique selling point in the Irish TV market and therefore a source of competitive advantage.

We will continue to evolve our TV functionality to bring to consumers a TV everywhere experience. From July 2016, eir was well positioned to offer premium sports content to the broadband and bundles user base. eir successfully completed the acquisition of Setanta Sports on April 1, 2016, including the exclusive rights to offer and sell BT Sports in Ireland. This acquisition represents a significant opportunity to build on the success of eir Vision and launch a new Sports brand called eir Sport as part of the eir family, offering exclusive premium content. Bundling sports content with Broadband, TV and Mobile will deliver a strong point of difference which we believe will drive broadband and bundles growth. Following the lead of operators in other markets, eir will leverage sports content in a bid to protect the broadband base.

Other

We also provide a range of value added services (“**VAS**”) to our customers. These are primarily positioned to improve customer experience and promote customer loyalty to our brand. Key VAS include:

- eir StudyHub: Free access to exclusive educational content for our broadband customers; and
- eir Parental Controls: Free access to parental controls from the modem across a range of devices within the home for added security and peace of mind.

Our services also consist of providing public payphones and public access Internet terminals (“**PAITs**”) at “on street” and selected internal sites in Ireland. The number of public payphones and PAITs that we provide has reduced steadily over recent years as usage of these services has decreased reflecting increased mobile penetration. As of June 30, 2016, we operated a network of approximately 815 payphones.

We provide operator assisted telephone services and a directory enquiry service (“11811”) to customers on all networks, both fixed and mobile. We estimate that our directory enquiry services held a market share of approximately 80% of the total market for directory enquiry services as of June 30, 2016. Directory enquiry information is also available free of charge via an on-line phone book at www.eirphonebook.ie.

eir Business

eir Business is our second largest division and generates revenues through the development of standard offerings that are configurable according to the specifications of each customer. We use our segmentation model to tailor solutions to unique customer groupings, including small and medium enterprises (“**SMEs**”) located throughout Ireland. We primarily offer to SMEs connectivity services; enterprise customers, which include large private sector companies in Ireland; and the Irish government and the public sector. We also provide ICT services to the public sector in Northern Ireland as well as to Irish customers with subsidiaries or branches in the United Kingdom. eir Business also oversees a joint venture with Tetra, a provider of emergency communications services in Ireland, which is described in further detail below. Revenues for our eir Business division were €375 million for the 12 month period ending June 30, 2016.

Brand

We adopted the eir Business brand in September 2015 as part of the Group-wide rebranding as “eir.” We have adopted the “eir Advantage” value proposition, which is built around four pillars: network, portfolio, expertise and commitment. The solutions-focused identity and value proposition provides a consistent platform and message to raise our profile and position eir Business as expert, reliable and in tune with business needs. Advantage bundles were re-launched as simpler and better value business bundles allowing businesses to build double- or triple-play bundles on a single bill to suit their needs. Customers can choose from two broadband packages, pick a landline plan and then add mobile. Our mobile plans include options for roaming in the UK, EU and U.S. and for shared data across multiple users within the same enterprise. For business broadband customers, we have moved away from speed based pricing and users now get the very best speed their line can offer, up to 100 Mbps.

The new identity was brought to life across all marketing communications channels, including mass media and individualized campaigns to our 95,000 customers. Marketing activity raised our profile among the Irish business audiences throughout the year through sponsorships (Irish Open, Newstalk Breakfast, Munster Rugby, eGovernment Awards) and advertising campaigns.

Connectivity Services

Connectivity services include voice and data fixed line, wi-fi and mobile services, as well as bundled offerings for SMEs. We also provide VoIP, data, mobile and wi-fi solutions as well as Internet access enhancements.

SIP Voice

SIP voice was launched in June 2014. This is part of our Next Generation Voice portfolio and is a converged voice/data service which allows voice calls to be carried over our data network, removing the need for traditional voice lines. SIP opens considerable opportunities for Irish businesses, bringing their architecture into the IP world of converged communications. The proposition targets providing exceptional value by carrying both calls and data over the data network while at the same time maintaining the call quality customers have come to expect from traditional voice services. SIP Voice lays the foundation for future services like unified communications and hosted private branch exchanges.

eir Fibre

As of June 30, 2016, eir Fibre is available to approximately 44% of our customers. We have 28,700 businesses availing of our eir Fibre broadband service representing approximately 36% of our business fixed broadband customer base of 79,200.

Mobile

We launched our business mobile offering in 2012 via the eir Mobile brand, and it has captured a handset subscription market share of approximately 8.4% as of March 31, 2016. Having developed end-to-end business processes to support our mobile offering, we have seen significant winning momentum, most notably in the Small Business Segment. We are currently investing in our on-boarding, in-life service and roaming experiences to support our penetration of the Enterprise and Government segments which represent an untapped opportunity for eir Business. We have plans to launch enhanced propositions that combine mobile, fixed and virtualized services offering customers significant value beyond basic connectivity. We have a unique opportunity to leverage our infrastructure and extensive customer relationships to cross-sell these FMC solutions to business customers. Our business mobile offering further improves our competiveness vis à vis our key competitors. As of June 30, 2016, we had 100,000 business mobile customers, up from 90,000 as of June 30, 2015. For more information about our Mobile division, see "*—Group Mobile*" below.

NGN IP Express

NGN IP Express, a data network service targeted at medium to large business customers, was launched in 2015 and leverages our investment in NGA technology. The service provides secure, cost-effective private data networks for business customers at speeds of up to 100Mbps. To date, the service has been sold to 40 customers.

Virtualised Services

Virtualised services merge broadband connectivity services with advanced network features that add utility and value to basic connectivity. Services are delivered from shared, on demand platforms with flexible, consumption oriented pricing and will incorporate rapid provisioning/disconnect and customer control. Examples of these services include collaboration solutions, hosted telephony infrastructure as a service and FMC. We now offer FMC solutions and hosted Mobile Device Management services and we launched a new Cisco-based hosted IP Telephony Unified Communications and Contact Centre Service in 2015 which enables customers to replace premises-based infrastructure with a network-based service delivered on an opex basis. Two large customers have already signed up for the service. We are also in customer pilot with next-generation voice offerings that will offer network-based hosted voice and fixed/mobile converged services to the wider mid-market of business customers.

Network Integration Services

Network integration services include solutions combining devices/premise infrastructure, network connectivity and services (e.g., virtual services and network management). Examples of these services include managed networking solutions, which encompass offerings for designing, deploying and operating connectivity, network equipment and infrastructure and related services, such as security and Managed Wi-Fi. The Advantage Managed Wi-Fi solution was launched in March 2015 and offers fast, secure, reliable and fully managed on-premises wi-fi services with 24/7 support for a single monthly price. Other services such as a standardized outsourcing proposing, enhanced managed data service and managed security are under development for launch in the 2016/17 financial year.

Certifications

Following a stringent audit, the second in three years, the Certification Europe Auditor issued new 3-year certificates for ISO20000 and ISO270001:13 accreditation to eir Business. This demonstrates an integrated Service Management System and excellent Data Centre Information Security Management System, which is unique within the Irish Telecoms Market. It also illustrates our customer focus and sets out our business service as a leading edge differentiator within the Irish market.

Emergency Services Network (Tetra)

We hold a 56% stake in Tetra, a consortium consisting of eir, Motorola and Sigma Communications Group Limited, which signed a contract in May 2008 with Ireland's Department of Finance for the provision of nationwide digital radio services for the major state emergency and security agencies, such as police, prisons, revenue commissioners and the ambulance service. The initial contract period will run until June 2017, following which the department has the option to extend the contract for a further two years. Tetra fully completed the build-out of its network in the Dublin region in March 2009, including all of its core network and operational systems. The remaining regions of the nationwide system were built out on a phased basis, and the final region was completed in October 2010. As of June 30, 2016, Tetra had 20,600 billable users on its network. The Tetra technical standard is an agreed Europe wide standard for encrypted digital mobile radio, allowing secure push-button group communications (one-to-many) and delivering high voice quality voice and short message data services to public safety and emergency personnel throughout Ireland.

Wholesale ("Open eir")

Through Open eir we provide communication service providers with open access to eir's nationwide fixed network, products and technical expertise. Our wholesale business is a strategic partner of choice for OAOs providing telecommunication services to households, individuals and business customers.

Our fixed line network infrastructure enables us to offer a range of compelling and high-speed services to our customers. Through our NGA and NGN core network we can offer high speeds, super-flexibility, and a high degree of reliability on a national scale. Additionally, our NGA network will drive fibre deeper into our network and provide significant back-haul capacity to serve our own mobile business and will also serve as a means of generating incremental revenues by offering this capacity to other MNOs. We also transit and terminate voice and data traffic on behalf of OAOs.

The price at which we offer wholesale regulated services to our customers is regulated by ComReg, and as of June 30, 2016, the prices and terms on which we offer the majority of our wholesale products are regulated under the (i) Reference Interconnect Offer ("**RIO**") which details the wholesale offering of our PSTN and ISDN traffic service, (ii) the Access Reference Offer ("**ARO**") which details an offering of unbundled access service to all access seekers and (iii) the Wholesale Bitstream Access Reference Offer ("**WBARO**") which details the bitstream offering. Our position in the wholesale market provides us with an opportunity to develop services for OAOs as well as retain the wholesale component of a significant proportion of business lost to competitors at a retail level. For the twelve months ended June 30, 2016 we grew by an equivalent of 102% of retail access losses (including Standalone Broadband Lines) through increased wholesale volumes.

As of June 30, 2016, we had 610,000 access lines, including Standalone Broadband (of which 100,000 were wholesale standalone bitstream lines and 10,000 LLU lines). We manage 68 (and bill over 100) national customers and 32 international customers. The wholesale customer base as of June 30, 2016 can be analysed as follows.

Wholesale line rental	499,000
Wholesale broadband (bitstream)	405,000
Local loop unbundling (LLU)	10,000

Our proposition for resellers includes managed calls and broadband access services (sometimes called "**White Label**") that allows our OAO customers make more extensive use of our network and services instead of investing in their own infrastructure. Our proposition for mobile operators includes a managed Ethernet service (sometimes called mobile backhaul) to carry the growing volume of data traffic being generated by customers of mobile network operators and service providers.

We market and sell to our wholesale customers through our wholesale account management team, which is our primary sales channel. The account managers are trained to deal with the specific information and communications technology needs of our wholesale customers and are often assisted by our professional project management team and appropriate technical experts.

Revenues for our Open eir division were €325 million for the year ending June 30, 2016. Key services of our wholesale division, as of June 30, 2016 are set out below:

Interconnect Services

Our wholesale business provides fixed line voice traffic services between us and other operators such as Vodafone, BT and 3. We provide interconnection services to OAOs in Ireland and to international operators for incoming international calls. Our interconnection services include both the physical link of our telecommunications network with that of OAOs, and the traffic that passes over the link.

Our revenue in the year ended June 30, 2016 includes revenue generated in connection with interconnection services for the termination of incoming international traffic in Ireland. We also generate revenue from transit services for calls made between two operators, which otherwise have no physical connection. Our domestic interconnection services include:

- call origination and carrier pre-selection, providing OAOs with the ability to carry domestic calls placed from geographically assigned telephone numbers within our network for termination on the operator's network or for onward transmission to other networks;

- call termination, which takes calls handed over from OAOs for termination on geographic number ranges within our network;

- transit to OAOs or OAO services, which takes calls which are passed on from an OAO's network to geographic and non-geographic number ranges within another OAO's network; and

- ancillary services, such as Freefone and premium rate services, Internet services, and directory enquiry services.

Access Revenue

Access and bitstream revenue is generated from the rental of physical lines between a subscriber and an exchange. Local loop unbundling revenue is generated where OAOs install their own equipment in our exchanges for the provision of access and broadband services. Of our Wholesale Access revenue in the twelve months ended June 30, 2016, 64% was from the wholesale line rental of PSTN, ISDN and LLU lines and 36% from bitstream.

Wholesale access channels

Carrier pre-selection single billing through WLR allows an operator to resell our access service and provide the customer with a single bill for access and call services. We maintain and repair the access line, which remains connected to our switched network, and bill the operator for the line. The operator bills the end customer for the operator's bundled service. This service is only available if the end customer has made a carrier pre-selection for all call types with the relevant operator.

Bitstream

Bitstream is a broadband access product that we offer to OAOs. It consists of a high-speed access link to the customer's premises, which we create by installing ADSL equipment and configuring our local access network. We currently offer a range of ATM, IP and NGN (bitstream managed backhaul) based services at a variety of speeds and levels of contention, and, in line with our regulatory obligations, effectively offer to our wholesale customers equivalent products to our retail ADSL offerings.

Next Generation Access

On May 20, 2013, eir wholesale launched its Next Generation Access (NGA) product portfolio to the market. The product portfolio consists mainly of FTTC and FTTH products. These products come with the option of being either a Standalone Broadband or a POTS Based (Voice plus Broadband) variant. Both of these have a Bitstream Plus and a Virtual Unbundled Access version. The FTTC variant employs vectoring technology which allows for speeds of up to 100Mb/s per second. The FTTH option is currently available in 30,000 premises across 18 local communities with speeds of up to 1 Gb/s. Both FTTC and FTTH come with a multicast capability which allows for the broadcast of TV. As of June 30, 2016 we had 200,000 Wholesale customers availing of fibre broadband.

Local loop unbundling

As we are designated by ComReg as having significant market power ("**SMP**"), we are required to make our local networks available to OAOs on a wholesale basis, i.e. share access to unbundled local loops. We are obliged to provide LLU access services to OAOs and to publish an ARO, describing the access services we offer. Unbundled local loop access requires the physical co-location of infrastructure owned by OAOs on our premises in order to permit such operators to access our unbundled local loop services. We are also required to enable an end customer's telephone number to migrate to LLU. The prices of these services are regulated through our ARO.

The service also includes several LLU migration products. These products, termed Inter Operator Migrations, allow customers to move between OAOs and have their underlying wholesale product change from LLU to Single Billing-Wholesale Line Rental ("**SB-WLR**") or vice versa. Other LLU product offerings include a facility called Intra-Operator Migrations. This allows an OAO to seamlessly migrate its existing WLR and bitstream customers to LLU.

Line Share allows operators to provide services such as broadband to their customers without the requirement to take control of the local loop through LLU. The retail customer pays for line rental and calls to the first operator, and pays for the services delivered over Line Share to the Line Share operator. Line share prices are regulated through our ARO.

Carrier pre-selection

Carrier pre-selection allows OAOs to compete with us in the provision of call origination services without having to develop a local access infrastructure, by allowing customers to choose another authorized operator as the default carrier for some or all calls.

Wholesale leased lines and partial private circuits

We provide OAOs with wholesale leased lines, including Partial Private Circuits ("**PPCs**"), as set out in the Leased Line Reference Offer ("**LLRO**"), and interconnect paths, which are dedicated leased lines connecting our network to that of another authorized operator.

ComReg requires that we enter into service level agreements for the provision of wholesale leased lines, PPCs and interconnect paths. These agreements contain penalties which we may be subject to for delays in processing applications for the installation of leased lines and for late delivery of leased lines or interconnect paths. Our support systems now provide full visibility of all steps from ordering services to actual delivery.

Partial private circuits are partial leased lines that connect a customer's premises to the point of connection between our network and that of another authorized operator. OAOs that possess a core network can use partial private circuits, which are priced in accordance with a different tariff schedule, as a substitute for wholesale leased lines. We also offer NGN Ethernet products. These NGN Ethernet products provide operators with an access mechanism through Wholesale Symmetrical Ethernet Access ("**WSEA**") and a backhaul mechanism through to our next generation network. We offer a 1 and 10 Gbit/s uncontended point to point leased line to cater for the growth in demand for dedicated high bandwidth capacity.

Managed Services

We provide a portfolio of managed services to customers such as resellers and mobile network operators.

Our proposition for resellers includes a managed calls and broadband access service (sometimes called "White Label") that allows customers to make more extensive use of our network and services instead of investing in their own infrastructure. The main elements of white label agreements are our standard products such as SB-WLR and bitstream but the agreement also includes value add services such as on net calls and managed ISP services. White Label subscriptions among our existing WLR lines have increased from approximately 112,000 subscribers as of June 30, 2015 to approximately 147,000 as of June 30, 2016. White label agreements tend to be for a duration of three years and provide a platform to further develop business with these customers. We have developed White Label versions of NGA services to protect and grow this customer base.

Our proposition for mobile operators includes a managed Ethernet service (sometimes called mobile backhaul) as well as bespoke network build. Both propositions are used to carry the growing volume of data traffic being generated by mobile consumers on our network.

During 2012, we signed a five year managed services agreement to carry mobile voice and broadband traffic from the Meteor/O2 network sharing agreement. The Memorandum of Understanding ("**MoU**") signed by eir and 3 on August 27, 2014 confirms Open eir's appointment as the aggregator for leased lines of the managed leased lines service to the network sharing partnership. Each base station site will be deployed with 1G Ethernet services and will aggregate the voice and broadband demands from both organizations and transport them using our Next Generation Network. This agreement will see us grow our penetration of fibre enabled base stations over the course of the contract.

We have also signed a multi-year agreement with a mobile operator that will see us deploying eir Fibre to this operator's base stations as they transform their network to an all IP network.

Group Mobile

Our Mobile division is comprised of our Meteor and eir Mobile brands. The eir Mobile brand in consumer is used mainly for bundling in the consumer context, but is also the main mobile brand for the business and enterprise segments. We are the third largest mobile operator in Ireland in terms of revenue and customers. As of March 31, 2016, according to ComReg we had a share of approximately 18.6% of the total mobile subscription market, 20.6% of the mobile subscription market (excluding mobile broadband and M2M), 11.0% of the mobile broadband market and 6.8% of the M2M market. As of June 30, 2016, we offered services to approximately 1,060,000 mobile subscribers of which 562,000 and 498,000 were prepay and postpay subscribers (including mobile broadband and M2M), respectively.

eir's customer mix continues to improve and our postpay customer base has experienced strong growth: postpay subscriber numbers were 498,000 (including mobile broadband and M2M) as of June 30, 2016, representing an increase of 5% compared to June 30, 2015, which is in line with the growth in total postpay subscriptions in Ireland of 5% in the twelve month period to March 31, 2016 (Source: ComReg). This growth has been assisted through increased prepay to postpay migrations and the ongoing success of 4G data offers and increasing take up of mobile bundles. Our mobile prepay customer numbers (including mobile broadband and M2M) as of June 30, 2016 were 562,000, representing a reduction of 8% compared to June 30, 2015, due to migration to postpay in line with the overall market trend and also due to increased competition. Our mobile service offerings include mobile voice and data services and other VAS including music downloads, entertainment and international roaming. We also offer a range of competitive SIM only plans at all price levels, as well as hardware including mobile handsets, external USB modems, tablets and wearables.

We are licensed to operate a mobile network in the following bands: 800 MHz (4G LTE); 900 MHz 2G (GSM) and 3G (UMTS); 1800 MHz 2G (GSM) and 4G (LTE); and 2100 MHz 3G (UMTS). Our full national mobile network covers 99% of the population of Ireland with voice and 3G data service. The Radio Access Network ("**RAN**") is designed to provide high levels of service availability in conjunction with excellent coverage, voice quality and data throughput. We provide a variety of wireless products and services designed to match a range of needs for business and personal use, and market our mobile services through the tailored brands Meteor and eir Mobile to appeal to sub-segments of the mobile market. eir has a balanced spectrum portfolio between low and high frequency, allowing it to provide both high speed mobile access and cost-effective population coverage to consumers. In the 2012 4G spectrum auction, eir acquired 2×10MHz in the 800MHz and 900MHz Digital Dividend spectrum bands and 2×15MHz in the 1800MHz band. The acquired multiband license is valid until 2030 and is liberalized for use with all access technologies.

We launched our 4G (LTE technology) network in September 2013 and now provide 4G service to approximately 82% of the population. Our LTE network delivers theoretical maximum data download speed of 72 Mb/s, with average speeds expected to be 28 Mb/s—significantly greater than average speeds on our 3G network. In conjunction with our 4G roll-out by December 31, 2015 we have made service enhancements to over 1,000 sites, of which more than 300 are new sites. This has doubled our maximum 3G speeds from a peak of 21 Mb/s to 42 Mb/s for customers with compatible handsets, and as of March 31, 2016 our dual-carrier HSPA+ 3G coverage extends to 80% of the population and increased real-world 3G performance by 70%.

We launched our business mobile offering in 2012 via the eir Mobile brand, and it has captured a handset subscription market share of approximately 8.3% as of March 31, 2016. Having developed end-to-end business processes to support our mobile offering we have seen significant growth, most notably in the Small Business Segment. We are currently investing in our on-boarding, in-life service and roaming experiences to support our penetration of the Enterprise and Government segments which represent an untapped opportunity for eir Business. We have plans to launch enhanced propositions that combine mobile, fixed and virtualized services offering customers significant value beyond basic connectivity. We have a significant opportunity to leverage our infrastructure and extensive customer relationships to cross-sell these FMC solutions to business customers. Our business mobile offering further improves our competitiveness vis à vis our key competitors.

We offer customers an extensive range of mobile handset makes and models over a wide price range, subsidized at different levels depending on the price plan chosen by the customer. We also offer customer handset upgrades based on criteria such as length of tenure and value of the customer. We also offer a small range of mobile broadband modems. These vary based on speed capability and single / multiple user capability.

Key performance indicators as of and for the twelve months ended June 30, 2016 are set out below.

Mobile Customers...	Prepaid handset subscribers	554,000
	Postpaid handset subscribers	465,000
	Mobile broadband subscriptions	41,000
	Total mobile subscriptions	1,060,000
Churn (%)	Prepaid	59.7%
	Postpaid	18.0%
ARPU	Prepaid	€15.6
	Postpaid	€37.4

Central Services

Our central services unit provides core internal support functions, such as finance, credit and cash management, human resources, legal services, regulatory support and compliance, logistics and property services. In the twelve months ended June 30, 2016, our employee related pay costs represented approximately 29% of the total costs for this unit (twelve months ended June 30, 2015: 28%). Non-pay costs comprise mainly power, rent, facilities management, customer services and professional & regulatory fees. During the year, the Group’s main warehouse and logistic services were outsourced. Management continues to examine other outsourcing opportunities and rationalise the existing property portfolio with a view to further improve cost efficiency and savings.

Sales, Marketing and Customer Care

Sales and Marketing

We have one of the broadest distribution networks of all telecommunications operators in Ireland, with 84 stores, including franchise stores with plans to open a further 4 stores, and 171 stores when partner stores are included. We have rebranded Meteor stores to enhance the prominence of the eir brand. There are currently 67 dual branded stores throughout Ireland, with the remaining 17 being Meteor standalone stores.

We support sales and marketing programs with direct marketing campaigns through a wide range of media including TV, telephone, radio, press, outdoor, and the Internet. In addition:

- We have developed a portfolio of data analytics that is unique in the market, which looks at the market in terms of households. There are 1.7 million households in Ireland; eir has a direct relationship with approximately 528,000 or 31% of these. In addition, eir has segmented the market five distinct segments to fully understand what drives customer behaviour. This data is used to inform how we sell, communicate and target customers and acts as a competitive advantage.

- We have developed a differentiated way to classify our customers based on the product holdings within the household. To drive our bundling strategy, offers are targeted to drive the addition of more products to move them incrementally up the value curve to increase ARPU and reduce churn.

- Due to the profile of the existing customer base, there are substantial opportunities to grow product penetration and increase loyalty.

We market and sell to business customers through a mix of dedicated field and desk-based account managers for our larger SME, enterprise and government customers and through outsourced contact center partners for our smaller SME customers. The dedicated account managers are trained to deal with the advanced information and communications technology needs of our larger business customers. We have a fully integrated fixed and mobile sales force within the small business market. This enables us to pursue the customer's entire communications spend by leveraging emerging bundled fixed and mobile propositions.

We market and sell to wholesale customers through our wholesale account management team. Account managers are trained to deal with the specific information and communications technology needs of our wholesale customers and are often assisted by the professional project management team and appropriate technical experts.

Customer Care and Billing

We have nationwide contact center coverage with sites located in Dublin, Cork and Limerick. HCL is our appointed outsource provider with sole responsibility for Dublin consumer and small business, sales, retentions and customer care for fixed and mobile customers. We offer our customers who are serviced by HCL a comprehensive level of service, accessible from 8 a.m. to 8 p.m., 365 days a year for Mobile prepay and postpay subscribers, and for Fixed Line customers between 8 a.m. to 8 p.m. weekdays and 9 a.m. to 6 p.m. on Saturdays. Our customer support channel strategy is continuously evolving, and our overall contact center service is enhanced through the effective use of comprehensive online and interactive voice response functionality allowing customers to perform routine transactions, such as view/pay bill or check account balance 24/7, 365 days a year. We have also introduced a 24/7 broadband technical support service for our customers.

We continue to deliver improvements in end to end customer service delivery, enhancing customer journeys, resulting in an improvement in customer experience and reduction in call volumes across our product lines. We have delivered an additional level of efficiency to the contact center operations through the up-skilling and cross-skilling of agents. Multi-skilled agents are now handling a variety of query types on single calls. Overall customer satisfaction ratings and first call resolution has increased as a consequence.

Ongoing investment in systems has enabled us to improve our overall service proposition. For example, we have implemented a converged billing system which enables us to provide quad-play single billed propositions to the market. This was also a key dependency for eir to launch NGA and TV. The converged billing system substantially simplifies the process of rolling out new tariff and bundle structures, and provides eir with the ability to add new products and services to existing packages rapidly and with minimal additional effort.

Networks & IT

The Networks business unit manages the national transmission, core, IP fixed and mobile networks which underpin the services offered by our Consumer, Business and Wholesale business units. The Networks unit also operates eir's field operations (fixed, core and mobile) as well as service management and monitoring. All significant network infrastructure programs are managed within Networks, including the roll-out of Next Generation Access.

IT develops our networks and information technology strategy and engages with the Consumer, Business and Wholesale business units to design, develop and manage their technology requirements. IT also evaluates, selects, pilots and deploys future technologies and provides IT support for systems and platforms.

Fixed line Network

eir Core IP Network

We have deployed a nationwide Next Generation Core IP network ("**NGN Core**"), based on technology from Alcatel-Lucent. The network consists of a core layer, an edge layer and an aggregation layer, and is based on IP/MPLS routers using Gigabit Ethernet (GE) and 10 Gigabit Ethernet (10GE) links with 100 Gigabit Ethernet links now in the process of being commissioned. Connectivity for the IP network is provided by an underlying optical transport network. This network provides a simple fully integrated network for voice and data services and will in time enable the retirement of many of our existing data networks.

Aggregation nodes are deployed at 205 eir sites, and a Carrier Ethernet network (known as Access Packet Transport, or "APT") is used to extend the reach of the NGN Core to over 550 fibre exchanges outside the main aggregation footprint. This network provides cost-effective Ethernet transport for DSLAM backhaul and also for other applications such as mobile backhaul and business fibre services.

The NGN Core network has a number of resilience features including the use of dual-star architecture with each aggregation node diversely connected to two edge nodes, high-availability routers with non-stop routing in the event of a processor failure; in-service software upgrades and MPLS Traffic Engineering. The network supports IP Quality of Service throughout, allowing us to provide multiple services including voice, video and business connectivity as well as consumer broadband.

We also have international IP nodes in London for handling Internet peering and transit, and IP VPN connections to customers with UK addresses. There are also remote connections to Internet exchanges in Amsterdam and Frankfurt.

In addition, our legacy Cisco IP network also provides national coverage at approximately 80 locations. This network is being superseded by the NGN Core; however, many of the edge routers will be retained to support existing customers accessing via TDM leased lines.

A Tellabs Martis network for delivering legacy leased line services is deployed in approximately 900 exchanges, with approximately 3,000 nodes including customer sites. It provides customer connections for low-rate data speeds from 64 Kb/s to 2 Mb/s, and also provides the access bearer for other services such as ISDN Primary Rate Access and Business IP.

A mobile packet core network provides access to IP services for our mobile broadband customers and is based on a standard architecture. Connectivity between mobile packet core network elements is implemented over the NGN IP network.

Optical Transport and Transmission Network

The core optical transport network ("**OTN**") is based on an extensive network which provides fibre optic cables, with over 13,000 fibre route kilometres lit using Dense Wavelength Division Multiplexing ("**DWDM**") and Coarse

Wavelength Division Multiplexing ("**CWDM**") technologies. Overall, the fibre network consists of over 400,000 optical kilometres of capacity, and it also supports the legacy Synchronous Digital Hierarchy ("**SDH**") network and customer access to IP and Ethernet NGN services. The core Wavelength Division Multiplexing ("**WDM**") network sites is currently being upgraded to a 96-channel, 200 Gb/s per channel capable Reconfigurable Optical Add-Drop Multiplexer ("**ROADM**") network, which also supports the Optical Transport Network ("**OTN**") protocol for sub-100 Gb/s transport. This network is being deployed to the largest 24 towns and cities nationally; Phase 1 covering Dublin is in the process of being commissioned.

There are approximately 70 WDM and 80 CWDM sites. In more rural areas, extensive use of passive CWDM provides low-cost fibre gain and supports the roll-out of business fibre services using our Access Packet Transport network.

The dominant legacy transmission technology in use is SDH. The SDH network has nationwide coverage and is deployed in approximately 900 exchanges. The architecture is one of National higher-layer rings with speeds of STM16 (2.5 Gb/s) and STM64 (10 Gb/s), and regional lower-layer rings with speeds of STM4 (622 Mb/s) and STM16. Traffic between layers is connected by means of digital cross-connects. Smaller exchanges are connected by means of STM1 rings or linear fibre systems, with some remote sites connected on microwave radio point-to-point systems.

Broadband Network

We provide broadband services using both ADSL and VDSL2 access technologies, with a small amount of Gigabit Passive Optical Network ("**GPON**") in FTTH applications. ADSL broadband services are provided at over 942 locations with approximately 1.2 million ports deployed. Approximately 96% of all copper paths are connected to a DSL-enabled exchange.

There are two main types of Digital Subscriber Line Access Multiplexers ("**DSLAMs**") in use: ATM-based DSLAMs and current Ethernet based DSLAMs. The newer Ethernet DSLAMs are installed at 700 of the 941 locations served. The DSLAMs are equipped with a mix of DSL line cards capable of supplying ADSL (up to 8 Mb/s) and ADSL2+ services (up to 24 Mb/s).

VDSL2 broadband services are provided from 624 exchanges and over 5,000 roadside cabinets across Ireland, with 800,000 ports in the network. This network is still in the process of being rolled out and covered 1.6 million premises by June 2016. The VDSL2 platform supports vectoring, which allows us to support downstream speeds of up to 100 Mb/s and upstream speeds of 20 Mb/s in our standard products. Currently, there are approximately 425,000 active ADSL and 429,000 VDSL2 lines in service.

The majority of the 941 ADSL exchange locations have ADSL2+ ports. All VDSL lines in service are VDSL2 using band plan 17a. IPTV is available on VDSL and FTTH (GPON) lines, and not on our ADSL or ADSL2+ lines

PSTN and Fixed Voice Networks

The key retail and wholesale products supported include PSTN access, ISDN PRA, FRA and BRA access, carrier selection and pre-selection/WLR, national and international wholesale interconnection for origination termination and transit, international mobile roaming, signal routing for other mobile operators, number portability (geographical and non-geographical) and number translation services.

The PSTN/fixed voice network consists of an edge layer with remote switching units ("**RSUs**") at over 1,200 sites and a class five primary and secondary layer with 46 main switching unit nodes, supported by tertiary layer. In addition, there are also Intelligent Network ("**IN**") core nodes providing key functions relating to number portability and number translation services, a VoIP platform providing for business trunking and second line consumer service and a voicemail platform providing call answering services.

The PSTN architecture is hierarchical and highly meshed to provide resilience for voice services. The tertiary layer comprises dual-switch node international and national switches with interconnection to OAOs, mobile operators and international destinations. The VoIP platform is connected at the tertiary layer. The tertiary layer has no physical customer terminations.

The secondary layer provides both transit and local exchange capability (i.e. it has customer terminations) and again is highly meshed to provide resilience. The primary layer has both local customer terminations at the exchange site and remote customer terminations at RSUs.

The international switching layer is a dual-switch node, consisting of two Ericsson next generation Telephony Soft Switches comprising IP-enabled soft switches and media gateways, which act as an international gateway for our PSTN network, an interconnect point for OAOs with sufficient international traffic to warrant direct interconnect routes and has an SCCP-relay node to enable international roaming for Irish MNOs. We also connect to the UK PSTN in Belfast.

The Mobile Circuit Switched (CS) Core Network carries all voice and SMS traffic for our 2G and 3G mobile customers. It consists of two Ericsson Next Generation Mobile Soft Switches (MSS) comprising IP-enabled soft switches and media gateways. All of our voice will eventually migrate to IP Multimedia Subsystem ("**IMS**"). A production IMS platform was deployed in 2014, supporting business trunking service. This platform can be extended to provide other services, including first-line VoIP.

Network and Service Management

We operate a Service Management Center ("**SMC**") for fixed & mobile voice, fixed and mobile broadband, IPTV and internal services and systems, in Citywest, Dublin. The network management platforms are located in Blanchardstown, North Dublin, with high availability redundant systems, where applicable in Citywest, South Dublin. The Blanchardstown Data Center also acts as a standby/business continuity site for the SMC in the event that Citywest should be disabled. The SMC proactively monitors our end customer services and networks, including international points of presence. The SMC is supported by a family of integrated network support systems, underpinned by a suite of Information Technology Infrastructure Library compliant processes and procedures. These systems and processes allow monitoring and control of the services and network remotely, from a single location and allow prompt and appropriate response to all network events.

The network is monitored at all times at the SMC and is supported by expert groups within our operations and design areas. When on-site work is required, SMC staff dispatch a member of our national field force, which consists of skilled technicians located throughout Ireland.

Access Network

Our fixed access network consists primarily of copper connections using multi-pair cables. The cables are placed overhead on poles or underground in ducts. The copper cables emanate from exchange nodes. In urban areas, these cables are usually connected to cross connection points ("**CCPs**") using exchange-side (E-side) cables. The CCPs are in turn connected to distribution points using distribution-side (D-side) cables. Some urban cables and most rural cables are directly connected to distribution points (direct-fed network). Almost all of our underground cables are located in duct lines (primarily multi-way ducts).

Next Generation Access (NGA)

As of June 30, 2016, our NGA network passed 1.6 million premises, compared to approximately 1.3 million as of June 30, 2015. This has been achieved by the deployment of VDSL2 technology in roadside cabinets and in our exchanges ("**eVDSL**"). To date, we have installed 9,000 kilometres of fibre in 6,000 kilometres of sub-duct, using our existing ducts, to support our NGA network. We are on target to extend coverage to 1.9 million premises within approximately four years.

Our initial VDSL2 deployment was to customers served through roadside cabinets, referred to as indirect fed customers. We constructed and landed our first active cabinet in April 2012 and an additional 5,470 active cabinet DSLAMs have been deployed to date. In 2014-15, following ComReg and Industry agreement, we deployed Exchange launched VDSL2 to serve customers whose local network architecture is directly fed from the exchange, rather than through a cabinet, and a total of 560 Exchange launched DSLAMs have been deployed to date.

We were one of the first operators in Europe to deploy vectoring technology on our cabinets early in 2014, which allowed speeds of up to 100 Mb/s to be offered to our NGA customers. Recent deployment of Node-level vectoring technology, which increases the number of cabinet ports that can be deployed with vectoring, now enables us to provide speeds up to 100 Mb/s across the full NGA cabinet footprint.

The network provides high speed services to approximately 429,000 active NGA customer connections as of June 30, 2016. In addition to high-speed Internet access, our NGA network supports our IPTV service.

Network Fixed Access Field Force

The build and maintenance of our fixed access network is the responsibility of the field operations organization. The main activities this group undertakes include overhead and underground build, nationwide repair and maintenance of the fixed access network, provisioning of PSTN, DSL broadband, IPTV and NGA for our business units, and delivery of the NGA infrastructure roll-out program. The internal field force is supplemented with a managed services partner, thereby benefiting from a flexible resourcing model with the use of outsourcing where economical.

Mobile Network

We are licensed to operate a mobile network in the following bands: 800 MHz (4G LTE); 900 MHz 2G (GSM) and 3G (UMTS); 1800 MHz 2G (GSM) and 4G (LTE); and 2100 MHz 3G (UMTS). Our fully national mobile network covers 99% of the outdoor population of Ireland with voice and 3G data service. The RAN is designed to provide high levels of service availability in conjunction with excellent coverage, voice quality and data throughput. The mobile network is fibre powered with at least 400 fibre backhaul connections from our base stations to our core mobile network to deliver a low latency data network as of March 31, 2016. The majority of the fibre connectivity is provided by eir Wholesale. The roll-out of our high capacity 4G/LTE network continues to deliver an improved digital experience for our customers and enables continued data growth.

Over the last several years, we have deployed a single vendor network with Ericsson as our strategic mobile partner enabling the latest technology capability nationwide with at least 1700 2G sites, 2300 3G sites and 640 4G sites. We continue our transition to an all-IP network for 2G and 3G services, and over 80% of the network delivers dual carrier HSPA+ 3G service with speeds up to 42 Mb/s.

The 2G voice, text and data service mainly utilizes GSM 900 MHz; GSM 900 MHz and GSM 1800 MHz support EDGE and GPRS services. The 3G voice, text and data utilize UMTS 2100 MHz and UMTS 900 MHz technologies. The UMTS 900 MHz locations are targeted at high data areas to increase the indoor 3G data footprint and improve customer experience. Over 70% of the UMTS 2100 MHz sites support dual-carrier HSPA+ 3G service with speeds up to 42 Mb/s. 4G LTE service on the 1800 MHz band has been extensively deployed in urban and suburban locations, with the 800 MHz band used to provide 4G LTE services to more rural locations.

Mobile Network Sharing Agreement

We entered into a network sharing agreement, called Mosaic, with O2 on April 7, 2011 to improve our network quality and create a more efficient radio access network. The network sharing agreement enabled us to increase our 2G indoor population coverage and 3G and 4G geographic coverage. Following the acquisition of O2 Ireland in June 2014 by Hutchison Whampoa, owner of 3, eir and 3 signed the MoU on August 27, 2014 for network sharing in line with the conditions set out by the European Commission. The network sharing MoU include an obligation on Hutchison Whampoa to offer eir improved terms and conditions as compared to those which existed under the Mosaic network sharing agreement between Meteor and O2 Ireland. The terms and conditions of the MoU with 3 are now represented in a revised network sharing agreement that was finalized in August 2015. The scope of the network sharing agreement is based on passive antenna sharing for 2G, 3G and 4G until 2030, where each operator will deploy its own RAN equipment and possess service independence. Both transmission and power systems will also be shared to enable cost efficiency. Over 950 sites are now shared through a mix of site consolidation and site infill. This improved network sharing agreement, along with our own site expansions, allowed us to end, as of June 30, 2015, the roaming agreement we had previously maintained with Vodafone.

IT

IT continues to develop the technology solutions that enhance our products and services and sustain our growth. Transformation initiatives are being delivered across IT including: enhanced customer experience, BSS transformation - delivering an industry standard BSS and digital environment while retiring legacy environments, Network convergence, and OSS transformation - focused on the future network technologies and the upcoming NBP.

Operational efficiency is a constant focus, with programs such as: data center consolidation, business intelligence/data warehouse system, next generation end-user computing, and security.

An outsourcing contract with Tech Mahindra Limited to provide IT support functions has been signed, as outlined below in *"Outsourcing"*, which will help us to achieve cost efficiencies and operational agility, as well as reduce system risks.

Competition

We face competition in the Irish fixed line and mobile telecommunications markets. Since the liberalisation of the Irish fixed line telecommunications market, our overall fixed line market share, based on revenue, has declined as a result of competition from retail fixed line operators such as Virgin Media (formerly UPC), Vodafone, Imagine, BT, eNet and Sky. We are able to regain, through our wholesale business, a significant proportion of retail access lines lost to competitors, although we also face competition from wholesale fixed line operators such as BT. In particular, our business has been adversely affected by customers switching to cable voice and broadband services offered by Virgin Media and other operators. The level of retail competition has also increased as a result of Sky's entry into the Irish telecommunications market in February 2013.

Our main mobile competitors include Vodafone and 3 (which acquired O2). Competition, together with decreases in MTRs mandated by ComReg, has contributed to decreases in mobile market ARPU in recent periods. The O2 and 3 transaction was conditionally approved by the European Commission on May 28, 2014. The approval was conditional on the provision by Hutchinson Whampoa (3's owner) of a commitment to a package which includes enabling the short-term entry of two MVNOs into the Irish telecommunications market and the continuation of the existing network sharing agreement on improved terms to protect the continued competitiveness of eir's mobile services. These improved terms and conditions are reflected in a MoU, which was signed by eir and 3 on August 26, 2014 and effective from August 27, 2014. The European Commission's decision leaves open the possibility for one of the two MVNOs to become full MNOs at a later date. To facilitate this, Hutchinson Whampoa committed to divest five blocks of spectrum in the 900 MHz, 1800 MHz and 2100 MHz bands. The spectrum will be available for ten years, starting from January 1, 2016. An MVNO agreement between Hutchison Whampoa and Virgin Media was announced in May 2014 while a second agreement between with Carphone Warehouse was announced in July 2014. In July 2015, Carphone Warehouse launched its mobile brand, iD Mobile, with an online expression of interest. Virgin Media launched their new mobile business in Ireland in October 2015 with SIM only propositions to which they have subsequently added mobile handsets in July 2016. At 30th June 2016 Virgin Media had acquired 11,800 postpay mobile subscriptions. The entry of both MVNOs is likely to result in increased competition in the Irish mobile telecommunications market.

In addition, Siro, a joint venture between the ESB, the incumbent power network company in Ireland, and Vodafone has begun to roll-out FTTB to selected urban and semi-urban areas, ultimately targeting 500,000 premises in 51 towns at a planned cost of €450 million. Siro will offer wholesale services using fibre attached to the access infrastructure of the ESB. Siro claimed to have passed "more than 10,000 addresses" by end March 2016. We plan to seek the same level of access to the ESB infrastructure that will be provided to the joint venture.

We have sought to address competitive pressures through our fibre roll-out and 4G investment, which has allowed us to offer a full range of services, especially in competitive urban areas, through the introduction of bundled offerings.

Group Insurance Cover

As an integral part of our risk management program, we purchase insurance to mitigate a number of risks including property damage and contingent business interruption, employer, public and motor liabilities, director's and officer's liabilities, professional indemnity liabilities, cyber-attack liabilities, and other miscellaneous risks such as goods in transit, employee travel, and personal accident liabilities. Insurance cover for these risks is provided to eir within self-insured deductibles for individual claims, and for some policies also within aggregate annual risk retention limits, both of which may change on policy renewal from time to time. This program is renewed on an annual basis. In addition to the above insurance covers which are renewed annually, eir has also purchased "extended director's and officer's liability run-off" insurance covers and public offerings insurances following previous corporate financing transactions, some of which remain in force. The company believes the levels of risks insured, risks retained and the limits of insurance indemnity are broadly in line with similar companies in the same industry sector. Insurance covers are in full force and effect with all due premiums paid.

Outsourcing

Spending on outsourcing has reduced in the fixed line business as a result of lower volumes and tighter operating and capital budgets. However we continue to outsource a considerable proportion of work, particularly in our contact center capabilities (sales, retentions, customer services and broadband support) and in field sales. We have also outsourced certain operations in IT, access network operations, core network operations and central services. Through our contact center outsource partner we offer our consumer-category customers a comprehensive level of service, accessible from 8 a.m. to 8 p.m. every day of the year for our mobile customers, 8 a.m. to 8 p.m. weekdays and 9 a.m. to 6 p.m. on Saturdays for our fixed line customers as well as 24/7 broadband technical support. We are reviewing and will continue to examine opportunities to outsource our requirements and functions in circumstances and on terms as may from time to time be considered appropriate.

On June 13, 2016 we commenced our IT outsourcing agreement with Tech Mahindra Limited (the "Supplier"). Approximately 140 of our employees were in scope and the majority of these employees have either permanently transferred to the Supplier or engaged in a knowledge transfer to ensure continuity. We expect that they will then exit under a voluntary leave program at an agreed future date. The remainder of staff will redeploy within the company.

Patents, licenses, industrial, commercial or financial contracts or new manufacturing processes

No material portion of our business is dependent on eir specific or unique patents, licenses, industrial, commercial or financial contracts or new manufacturing processes, other than those generally found in similar telecommunications businesses.

Properties

As of June 30, 2016, we occupied approximately 1,235 properties (excluding Tetra mast sites, Meteor stores, Meteor mast sites and Meteor office premises located at Unit 4030 Citywest). The tenure of these properties may be approximately summarized as follows:

- 955 are freehold;
- 66 are held under long-term leases (leases with a term in excess of 50 years);
- 55 are held under short-term leases/licenses (leases with a term of less than 50 years);
- 144 are properties owned by the Irish State. We have rights to remain in occupation of these properties, and
- 15 are owned by the Irish Postal Authority, An Post, and are occupied by us based on statutory rights granted to us under the Postal and Telecommunications Services Act, 1983.

As of June 30, 2016, our mobile division also occupied approximately 2,026 mast sites, of which two are owned freehold by Meteor itself, 52 are held under lease from Coillte, the Irish state-sponsored forestry company (typically for a 100 year term), 1,171 are Licensed to Meteor (of which we share 331 with 3 under the Network Sharing Agreement) and 524 are licenced to 3, with eir having rights to share occupancy under the Network Sharing Agreement. Approximately 240 are greenfield mast sites and the remainder are on other structures, such as commercial rooftops and Electricity Supply Board towers, and held under license (typically for a term of less than 20 years). Meteor also leases 42 retail outlets under various lease agreements, 32 with less than ten years remaining to the next break and 10 with more than ten years remaining. Meteor also leases office premises at Unit 4030 Citywest Business Campus. From time to time, we buy, sell and exchange our properties as market conditions and operations needs evolve.

As of June 30, 2016, Tetra occupied 591 mast sites, including 74 under license from eir. All of these sites are held under short-term leases or licenses. The economic benefit of 69 of the mast sites licensed by us to Tetra was assigned on April 1, 2010 to a third party.

The properties are used for the following functions:

Function	Approximate number of Properties
Telephone Exchanges	1,092
Area engineering headquarters	20
Offices	6
Standalone mast/radio sites	45
Cable stations	1
Other	71

As of June 30, 2016, we own or occupy the following principal establishments:

Property	Area (buildings, gross sq. m.)	Tenure	Use
1 Heuston South Quarter	24,000	1st lease: 25 years from July 2008 2nd lease: 25 years from July 2008	Office—corporate headquarters
Dame Court, Dublin	8,592	Freehold	International exchange
Adelaide Rd., Dublin	5,360	Leasehold: 3 years and approximately 7 months from January 29, 2015 to August 30, 2018.	National exchange
Citywest, Dublin	8,326	Leasehold: 25 years from September 29, 2010	Network management center
Crown Alley, Dublin	5,225	(1) Freehold (2) 150 year lease from March 25, 1889	National exchange and ISP hub
Clondalkin, Dublin	6,219	Freehold	Logistics center
Mervue, Galway	9,791	Freehold	National exchange, office and depot
Templehill, Cork	2,465	Freehold	Engineering depot
Beggars Bush, Dublin	1,908	Leasehold: 63 years from November 7, 1968	National exchange
Churchfield, Cork	11,771	Leasehold: Two Leases, both 99 years from October 1, 1973	National exchange and office
Roches St., Limerick	5,495	Leasehold: (1) 983 years from March 25, 1799 (2) 995 years from March 25, 1803 (3) 900 years from May 1, 1831 (4) 900 years from March 25, 1883 (5) 140 years from December 1, 1947 (6) 999 years from March 25, 1801	National exchange and office
Quaker Rd. Cork	2,334	Freehold	National exchange
Summerhill, Dublin	1,686	Leasehold	National exchange
Priory Park, Dublin	2,367	Two Leases: (1) 999 years from March 25, 1935 (2) 999 years from September 1, 1946	National exchange
Blanchardstown (Grove Road), Dublin	3,221	Freehold	National exchange
4030 Kingswood Avenue, Citywest	2,827	Leasehold: 25 years from October 1, 1998	Meteor Operations Center Office—operator services 999 facility)
Clonshaugh	9,000	Leasehold: 11 years from August 22, 2008	Data Center
4050 Kingswood Avenue, Citywest	3,000	Leasehold: 20 years from September 1, 1999	Data Center
Dundrum, Dublin	4,080	Freehold	Data Center
Ship Street Exchange	1,414	See "*Litigation—Claim for title by the State in respect of the Ship Street and Leitrim House properties*", below.	National exchange

Employees and Industrial Relations

We are one of the largest employers in Ireland, and the substantial majority of our employees are employed in Ireland.

The total number of persons (Full Time Equivalents) employed by us as of June 30, 2016 and June 30, 2015 were as follows:

	As of June 30	
	2015	**2016**
Fixed line		
Operational/technical	2,193	2,113
Sales/customer support	654	664
Administration	162	260
Total fixed line	3,009	3,037
Mobile	382	326
Total fixed line and mobile	3,391	3,363

We have a well-developed collective bargaining relationship with our trade unions. We employ graded staff who are employed on collectively negotiated terms and conditions, and non-graded staff, who are employed on a personal contract/service agreement basis. Graded employees' terms and conditions are the subject of collective bargaining agreements, primarily, but not exclusively, negotiated through the Joint Conciliation Council which is the Company's main collective bargaining forum. The trade unions who participate in this forum are as follows:

- Communications Workers Union (the main union in the Company);
- Public Services Executive Union; and
- Civil Public and Services Union

The Company established a separate industrial relations forum in 2015 with the Irish Bank Officials Union (now known as the Financial Services Union) as part of the transfer arrangements of approximately 34 employees into the Company under the European Communities (Protection of Employees on Transfer of Undertakings) Regulations 2003.

Litigation

Except as disclosed below or as disclosed in "*Regulation—The Regulatory Regime—Compliance*", we are not engaged in or, so far as we are aware, have pending or threatened, any government, legal or arbitration proceedings which may have, or have had in the last twelve months, a significant effect on our financial position or results of operations.

Hearing Loss claims

As of June 30, 2016, we had received notice of personal injury claims for alleged hearing loss from 116 current and former employees, 15 of which have been withdrawn, and 8 of which have been discontinued. Of the 93 remaining claims, 55 have become prima facie statute barred, and so we consider these cases to be closed. Of the remaining cases, 26 individuals issued court proceedings but did not serve these within the period they had to do so and so we also consider these cases to be closed. Twelve sets of proceedings have been served and are active. We have denied liability in all of the claims and intend to vigorously defend all proceedings issued in respect of hearing loss claims.

Allegations of anti-competitive practices

In October 2002, ComReg determined that we were not in compliance with our obligations under the voice telephony regulations, as we provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of our discount schemes and published prices. No penalties were levied on us as a result of this determination. In December 2002, Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court against us seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. We submitted our defense on January 26, 2004, and intend to defend the proceedings vigorously. The plaintiffs submitted general particulars of their damages claim on February 3, 2004 under the headings of loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further un-quantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on our part under each of these headings, we do not believe that these figures represent damages which would be properly recoverable. No further action has been taken by the plaintiffs in the ten years since they amended the plenary summons and statement of claim. We do not expect the plaintiffs to take any further action, and even if they attempted to do so, we believe, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Claims by Smart Telecom

On June 8, 2005, Smart Telecom instituted proceedings against us in the Irish High Court, challenging the validity of a notice of termination issued by us to Smart Telecom terminating an interconnection agreement, and alleging that the notice of termination was an abuse by us of our dominant position in the telecommunications market. Smart Telecom further alleged that we were abusing our dominant position by refusing to provide network access in the form of LLU in the manner required by Smart Telecom. The reliefs sought by Smart Telecom included declarations that the notice of termination was invalid, that we were abusing our dominance by failing to meet Smart Telecom's LLU requirements, and unspecified damages, including exemplary damages, for breach of contract, violation of the Competition Act 2002 and the EC Treaty. We delivered our defense in proceedings on December 23, 2005. We believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that we provide access to its network fully in accordance with our obligations, and we intend to defend proceedings vigorously, if pursued. Smart Telecom submitted general particulars of its damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum) and capitalization of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on our part under each of these headings, we do not believe that these figures represent damages that would be properly recoverable. In October 2006, we terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, we introduced the LLU functionality that is the subject of Smart's claim in the proceedings. No further action has been taken by Smart Telecom after the delivery of our defense in December 2005. In December 2009, Smart Telecom went into liquidation. We do not expect the plaintiff to take any further action and even if it attempted to do so, we believe, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Asbestos claims

At June 30, 2016, approximately 132 premises, currently or previously occupied by us contain or have contained asbestos and these have been controlled and monitored. In 1987, we began a program of removing asbestos from some of our premises and introduced safety measures and a warning procedure. Claims have been received from approximately 107 employees or former employees alleging injuries caused by exposure to asbestos. Of these, nine claims were settled, withdrawn or never proceeded beyond an initial letter of claim. The remaining 98 actual claims relate to one particular set of premises we occupied in 1985 where the presence of asbestos was identified. A composite Irish High Court action for unquantified damages and costs initiated on behalf of 92 of these employees has remained dormant since 1997. The remaining six claims have remained inactive for several years. The Plaintiffs in most cases issued proceedings in order to protect their position in relation to the statute of limitations, but in the absence of any asbestos illness having developed. Asbestos related illnesses carry an average latency period of around 40 years. At present, if any claim were to be reactivated by any of the above Plaintiffs, in the absence of any physical injury, the position remains that it would be confined to damages for fear of developing an asbestos related illness. The Irish Supreme Court has adjudicated on this precise point and does not recognise this as a compensable cause of action. Given the uncertain nature of this kind of litigation, and the lengthy period of time before asbestos related injuries become manifest, there can be no assurance that future claims will not be made against us. We do not expect any material adverse impact on our results of operations or financial position based upon the claims which have been made.

East West Interconnector Matter

We are party to litigation involving a project by Eirgrid Interconnector Limited to construct the East West Interconnector enabling electricity to be carried between Ireland and the UK. Preliminary testing on the East West Interconnector, once constructed but before it was fully operational, indicated the presence of electro-magnetic interference on copper based land line telephones. Consequently we entered into a memorandum of commercial understanding with Eirgrid Interconnector Limited on December 7, 2012 to allow testing on the interference with the objective of developing a solution to it. Under the terms of that memorandum of commercial understanding, Eirgrid Interconnector Limited agreed, amongst other things, to keep us indemnified in respect of all of our reasonable costs and expenses up to €250,000 (and such further sums as may from time to time be agreed) incurred by us due to our obligations under that memorandum including the costs of us having to carry out remediation work on our lines arising from the interference. All works contemplated by the memorandum of commercial understanding of December 7, 2012 have been completed to the satisfaction of eir.

Data center construction defect

We occupy a number of data centres. A construction defect was identified in a specific center. The Company entered into negotiations with the landlord which culminated in the parties entering an agreement on February 6, 2013. Under that agreement, the landlord accepted responsibility for the construction defects and has carried out, at its own cost, the necessary remedial works to remedy construction defects identified at the property in a manner that has facilitated our current operation of the data center. Practical completion for the remediation works was issued on August 1, 2014, save that a number of discrete zones within the data center are being left unremediated due to either the risk of operational disruption or remediation being deemed unnecessary. We are in negotiations with the landlord regarding entering into a supplemental agreement whereby the landlord would be responsible for the continued monitoring and inspection of these left behind areas as well as for all future remediation works that may be required at the data center resulting from the construction defect.

There is risk involved in carrying out remedial construction works at a live data center in that penalties could potentially be invoked by the individual customers under their service level agreements if the breach/interruption of use is not remedied in accordance with the time limits prescribed in the service level agreement. Under the agreement with the landlord, the landlord is responsible for reimbursing us in respect of this risk. We will be liable for any differential loss that is not caused by the negligence of the landlord, but we have taken out a program of enhanced non-negligence insurance to cover this gap.

The above risk has now significantly diminished since the remedial works (save for identified left behind areas which are subject to a monitoring program) were successfully complete on August 1, 2014 and we conduct a continuous program of remediation activity in respect of all the data centres we occupy.

Claim for title by the State in respect of the Ship Street and Leitrim House properties

eircom Limited, and its predecessor before privatisation, the Department of Posts and Telegraphs, has been in occupation of the Leitrim House and Ship Street exchange properties in Dublin city center from the 1920s. Leitrim House contains a number of offices and Ship Street is a key telecoms exchange. The Minister for Finance has claimed that the State has title to the properties and issued a plenary summons on July 12, 2013 seeking possession. Those proceedings were served on eircom Limited on July 1, 2014, prior to the date for expiry of the summons on July 12, 2014. A Statement of Claim was delivered by the State on December 17, 2014. eircom raised a Notice for Particulars on March 27, 2015. Replies to those Particulars was delivered by the State on May 8, 2015. A Notice for Further and Better Particulars was served by eircom on August 17, 2015, to which no reply has been received. The proceedings have been dormant since that time and eircom remains in occupation.

8. REGULATION

Overview

The basic framework for regulation of the Irish telecommunications market derives from the EU Regulatory Framework consisting primarily of five Directives adopted by the EU in 2002 and amended in 2009, including the Framework Directive and four other specific directives, namely the Access Directive, the Universal Service Directive, the Authorisation Directive and the Directive on Privacy and Electronic Communications. The main policy objectives of the EU Regulatory Framework are to protect customers including through Universal Service Obligations imposed on one or several operators, to facilitate market entry by simplifying authorisation and licensing conditions, and to use a market-focused mechanism for assessing and designating operators with SMP (a concept akin to the competition law concept of dominant position) and subject to specific obligations (which may extend in certain specific circumstances to functional separation). The Framework Directive provides operators with procedural rights including recourse to challenge the decisions of national regulatory authorities ("**NRAs**") and NRAs are subject to strict procedures in imposing SMP designations and obligations.

This basic framework for regulation of the Irish telecommunications market is laid out in a series of legislative acts and statutory instruments ("**SIs**"), which have facilitated the development of competition, principally through the implementation of various EU directives relating to telecommunications. The principal relevant legislation includes the Communications Regulation Act 2002, the Communications Regulation (Amendment) Act 2007, the Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010 and five SIs, the European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (SI No. 333 of 2011), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (SI No. 334 of 2011), the European Communities (Electronic Communications Networks and Services) (Authorisation) Regulations 2011 (SI No. 335 of 2011), the European Communities (Electronic Communications Networks and Services) (Privacy and Electronic Communications) Regulations 2011 (SI No. 336 of 2011) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011 (SI No. 337 of 2011). These SIs were adopted on July 1, 2011 and transposed the five EU Directives as amended by the two 2009 EU Directives. Parties affected by ComReg's decisions and regulations may exercise a right of appeal in the Irish High Court.

The aim of the EU Regulatory Framework is, over time, to allow the transition of the governance of electronic communications networks from sector specific ex ante regulation to general competition law. In the long term, the amount of regulation should lessen as competition within the sector continues to grow. In the short to medium term, however, ex ante sector specific regulation is expected to remain the predominant form of regulation.

The European Commission has announced a timetable for the review of the EU Regulatory Framework as part of its Digital Single Market strategy with proposals for change anticipated towards the end of 2016.

The Regulatory Regime

ComReg

The 2002 Framework Directive provides for the establishment of a national regulatory authority to be charged with any of the regulatory tasks assigned in the EU Regulatory Framework. The present legislation vests all responsibility for regulating the electronic networks and services and premium rate services sectors in Ireland in ComReg, with certain minor residual functions having been retained by the Minister for Communications, Climate Change and Natural Resources. Broadcasting content services fall outside the remit of ComReg and are regulated by the Broadcasting Authority of Ireland (the "**BAI**"). The Broadcasting Act 2009, which merged the BCI and the Broadcasting Complaints Commission into a single content regulator, the BAI, provides for the modernisation of radio licenses including the option of "fast-tracked" applications, license enforcement and legal definitions regarding TV license and contract awards. It also transposed the TV elements of the Audio/visual Directive, which will impact IPTV and DTT.

ComReg regulates electronic communications networks and services principally through a system of general authorisation (ComReg 03/81R5 dated December 22, 2015), licenses for premium rate services (content, data services and value-added services that are charged to a customer's telephone bill), licenses for radio frequency and rights of use for numbers.

We operate our telecommunications business in Ireland under this regime. The most important authorisation under which we operate our business is the General Authorisation published by ComReg (ComReg 03/81R5) which sets out the terms and conditions that all providers of electronic communications services and networks must comply with in Ireland. We also hold various individual radio frequency licenses under the Wireless Telegraphy Act 1926 including, through our subsidiary Meteor, mobile spectrum licenses.

ComReg was established under the Communications Regulation Act 2002 as the independent regulator. The Minister for Communications, Climate Change and Natural Resources may, in the interest of proper and effective regulation of the electronic communications market, give policy directions to be followed by ComReg in the exercise of its functions. ComReg is led by a commission comprised of up to three commissioners and the chairman of ComReg is appointed by the Minister for Communications, Climate Change and Natural Resources from among these three commissioners. There are currently three commissioners.

Enforcement powers

ComReg has the power to request information to enable it to verify compliance with license and general authorisation conditions, including SMP conditions, and may apply to the Irish High Court for an appropriate court order requiring compliance, including an order directing that a financial penalty be paid. If such an order is granted, the penalty is paid to ComReg. There is no limit set in statute as to the maximum financial penalty which the High Court may impose; in deciding the amount of the financial penalty, the High Court must consider the circumstances of the non-compliance including its duration, the effect on consumers, users and other operators, ComReg's submission on the appropriate amount and any excuse or explanation for the non-compliance. In addition, under the Communications Regulation (Amendment) Act 2007, the Minister for Communications, Climate Change and Natural Resources may, in making regulations for the purpose of giving effect to a provision of EU law, provide for an offence under those regulations to be triable summarily or on indictment, with maximum fines of up to €5 million or 10% of an operator's revenue, whichever is greater. Where the current Statutory Instruments (see Overview above) provide for an offence, the maximum penalties provided are set at in the case of a body corporate to a fine not exceeding €500,000.

Under the Communications Regulation (Amendment) Act 2007, ComReg has the power to carry out investigations, on its own initiative or following a complaint, and to collect and publish information accordingly. In addition, ComReg has the power to suspend or withdraw an authorisation, license or right of use where, in its opinion, there has been serious or repeated non-compliance with the conditions attached to such general Authorisation, license or right of use, or failure to meet a specific obligation relating to SMP or universal service. ComReg may amend authorisations, licenses and rights of use from time to time "where objectively justifiable, and in a proportionate manner". ComReg may also apply to the High Court to seek the immediate suspension of premium rate services which it considers to be in breach of the relevant license conditions.

The Data Protection Commissioner is entrusted with the enforcement of a number of obligations to which we are subject under the Privacy and Electronic Communication Regulations (SI 337 of 2011) referred to above. The Data Protection Commissioner is also responsible for enforcement of the Data Protection Acts 1988 and 2003, to which we are also subject.

Competition and Consumer Protection regulation

ComReg also has powers, concurrent to those of the Competition and Consumer Protection Commission (CCPC), to investigate anti-competitive practices, including anti-competitive agreements and concerted practices and abuses of a dominant position in the marketplace related to the provision of electronic communications services and networks. The Irish Competition Act 2002 (as amended) regulates competition generally by prohibiting anti-competitive arrangements and abuse of a dominant position, and by providing for pre-approval of certain mergers and acquisitions. The CCPC was created in 2014 following the merger of the Irish Competition Authority and the National Consumer Agency. The CCPC is responsible for the administration and enforcement of the Competition Act and consumer protection legislation (both of which we are subject to). A person found guilty of an offence under the Competition Act may be liable for fines of up to the greater of €5 million or 10% of turnover and/or imprisonment for up to ten years. Sanctions can also be imposed for breaches of consumer protection legislation. Under the Communications Regulation

(Amendment) Act 2007, ComReg was granted the power to investigate compliance with, and enforce, the provisions of the Competition Act prohibiting anti-competitive arrangements and abuse of a dominant position insofar as they relate to practices in the electronic communications sector. ComReg has the authority to conduct on its own initiative investigation into anti-competitive behaviour or regarding a formal complaint of such behaviour. A body convicted of competition offences may also have to pay the costs of investigation and court proceedings. Amendments to the Act since July 3, 2012 make it easier for private individuals affected by anti-competitive practices to prove an action for damages against a cartelist, once public enforcement proceedings have successfully been taken. In addition to above, we are also subject to EU competition law. Enforcement of EU competition law is undertaken by the European Commission as well as national authorities including, in Ireland, ComReg and the CCPC.

General Authorisations, Licenses and Rights of Use

We are not permitted to delegate, grant or otherwise transfer any right, interest or entitlement in its general authorisation to another person. ComReg has extensive powers to enforce or modify conditions to general authorisations, licenses or rights of use, and to issue directions under those conditions. It is an offence to fail to comply with the conditions of a general authorisation, license or right of use.

Levies

ComReg levy and Spectrum Usage Fees

All authorised entities, including eir and Meteor, are required under their respective general authorisations to pay an annual levy, equal to 0.2% of relevant annual turnover, to ComReg to defray its administrative costs. "Relevant annual turnover" is defined as turnover excluding VAT for the provision of electronic communications services or networks and includes turnover from electronic communications networks and services provided to other authorised operators and their subsidiaries. Until such time as the relevant annual turnover for a financial year is known, the quarterly instalments paid to ComReg are based on the most recent relevant annual turnover statement available. For the year ended June 30, 2016, to date eir has paid a levy of €1.7 million and Meteor paid a levy of €0.7 million. eir and Meteor also pay fees for the right to use the radio spectrum that has been allocated to them by ComReg. All licensed spectrum is subject to annual usage fees. For the financial year to June 30, 2016 eir expensed a total of €10.5 million in usage fees for its fixed and mobile spectrum licenses.

Premium Rate Services

Network providers that facilitate the provision of premium rate services, and premium rate service providers pay a levy of 1.8% of premium rate services revenue (equally divided between the premium rate services provider and the host network operator). This levy applies to retail revenue for premium rate services, and is "ring fenced" from the general electronic communications networks and services levy. ComReg issued a consultation on June 15, 2013 which reviewed the current level of this levy and proposed a 38% increase in the levy. We responded to the consultation on August 2, 2013. ComReg has not yet issued its decision.

Numbering

The use of national numbering resources is governed by ComReg's Numbering Conditions of Use (ComReg 15/136) last updated in December 2015. The conditions of use allow for the automatic withdrawal of rights of use of both code and number range where an undertaking's premium rate services license, authorisation or other approval to operate is suspended or withdrawn for compliance failures.

Access to the emergency services

Under the Universal Service Regulations (SI. 337 of 2011), all electronic communications services providers which provide end users with a service for originating national calls to a number or numbers in the national numbering scheme, including VoIP providers, must ensure that such end-users, including disabled end-users, are able to call the emergency service free of charge. Providers of publicly available telephone services must also take all necessary measures to ensure uninterrupted access to emergency services.

The Communications Regulation (Amendment) Act 2007 allows the Minister for Communications, Climate Change and Natural Resources to award a contract for the operation of the Emergency Call Answering Service ("**ECAS**"), i.e. the "999" and "112" services. Following a tender process, the contract to provide the ECAS was awarded to BT for an initial five-year period, and since September 2010, BT handles all calls to the ECAS. A call handling fee, subject to a ceiling reviewed annually by ComReg, is payable to BT by operators, including eir and Meteor, on whose networks a "999/112" call originates. The applicable handling fee per call for the year to February 11, 2017 is set at €3.82. The Department for Communications Climate Change and Natural Resources has exercised its right to extend the term of the contract with BT for a maximum of two years while it prepares a new tender process. eir is participating in the tender process which was formally commenced on April 15, 2016.

Consumers

Under the Universal Service Regulations (SI No. 337 of 2011), the provision of publicly available electronic communications services to consumers and certain end-users must be done in accordance with a contract which must include a number of specific provisions. Any modification to the contractual conditions must be communicated to the customers concerned at least one month in advance of implementation together with a notice of their right to withdraw without penalty from such contract if they do not accept the modification. The Universal Service Regulations set limits as to the maximum minimum term period for contracts, namely 24 months and require that subscribers are able to subscribe to a contract of a maximum duration of 12 months. Without prejudice to minimum contractual period, providers must ensure that their conditions and procedures for contract termination do not act as a disincentive to a consumer changing service provider.

The Universal Service Regulations also provide for the right of subscribers to retain their numbers independently of the service provider that they choose.

Under the Universal Service Regulations reflecting the provisions of the Universal Service Directive as amended in 2009, the porting of numbers and subsequent activation is required to be carried out in the shortest possible time and in any event within one working day after the subscriber has concluded an agreement to port the number with loss of service during the porting process not to exceed one working day.

The General Authorisation contains a number of Consumer Protection Rules including the requirement that all fixed line operators place certain references on a consumer's bill. These include the customer telephone number, customer account number and the circuit reference number for LLU lines. This requirement seeks to facilitate switching between providers on our network including win-backs for us. In addition, in 2013, specific requirements were included in the General Authorisation concerning Itemised Billing and Billing Mediums, including obligations to issue bills free of charge and within a reasonable period in advance of each payment due date; to provide a customer with fully itemised bill or non-itemised bill, and not change the level of itemization provided without the Customer's consent; and certain restrictions on the use of medium other than paper on which bills are issued.

On May 29, 2014, ComReg adopted its Decision D04/14 (ComReg 14/52) imposing on all authorized operators providing publicly available telephone services obligations to adopt some measures to ensure equivalence in access and choice for disabled users including accessible complaints procedures, an accessible top-up facility for prepay mobile end-users, accessible directory enquiries, accessible billing and an accessible facility to test the compatibility of terminal equipment or an appropriate returns policy. In addition, providers are required to ensure that the information concerning products and services, including information provided to the majority of end-users is accessible to disabled end users. They are also required to establish and maintain a facility to enable disabled users to register their requirements.

We are also subject to a code of practice for Tariff Transparency (ComReg Decision D11/04) which ComReg introduced with the stated objective of ensuring that service providers present tariff information that is accurate, comprehensive and accessible. The Code applies to standard tariffs covering access, all types of usage charges and maintenance charges, including details of standard discounts applied and special and targeted schemes. Moreover it is an offence under section 45 of the Communications Regulation Act 2002 as amended in 2007 to charge for supplying an electronic communications service an amount that exceeds the amount specified in the provider's published tariffs or in a written statement previously given to the customer, or for supplying a service that was not requested by the consumer or for a service that was requested by a consumer but not supplied.

ComReg has established an interactive website for consumers, www.callcosts.ie. This website covers mobile, fixed line and broadband services.

USO Regime

In order to ensure that all users in Ireland have access to a defined set of basic telephony services independent of their geographical location and at an affordable price, ComReg may under the Universal Service Regulations designate Universal Service Providers (USP) tasked with the provision of relevant services, whether or not the provision of those services is economic. We have been designated by ComReg as a USP, for successive periods since 2003.

eir is currently the only USP in respect of the following services:

- The provision of payphones: under ComReg Decision D08/14, we are required to maintain payphones throughout Ireland until June 30, 2018, subject to a removals policy including threshold usage below which we may remove public payphones. ComReg is in the process of reviewing the usage threshold and has proposed to maintain current levels (ComReg 16/43). As of June 30, 2016 there were 815 USO public payphones still in service.

- The provision of a comprehensive printed directory or directories to subscribers: under ComReg Decision D07/14, we are required to make a comprehensive directory or directories to subscribers, to be updated at least once a year, until June 30, 2018.

- The provision of telephony services including connection and access at a fixed location (including an obligation to apply geographically averaged prices throughout the country in respect of USO services and to provide for control of expenditure services or measures): ComReg Decision D10/15 of December 31, 2015 designated eir as the USP in respect of the provision of connection and access at a fixed location for a provisional period from January 1, 2016 to June 30, 2016. On July 29, 2016 ComReg designated eir as Universal Service Provider for access at a fixed location for the period July 29, 2016 to June 30, 2021 (Decision D05/16, ComReg 16/65). The requirement to meet reasonable requests for a connection at a fixed location is subject to two thresholds. If the cost of providing service is below the threshold of €1,000, we are obliged to consider the request as "reasonable" and supply service for the standard connection fee. If the cost is above €1,000 and below €7,000 then the request may not be considered reasonable if there is alternative infrastructure or alternative technology available that could provide an equivalent service at the premises. If the cost is above the threshold of €7,000 we are required to supply service where the customer agrees to pay the amount in excess of the threshold, in addition to the standard connection fee. With regard to provision of functional Internet access, ComReg has maintained a minimum data rate of 28.8Kb/s with a target of 94% of telephone lines to be capable of achieving functional internet access. ComReg will commence an internal review 3 months after the Department has concluded the National Broadband Plan contract award process. ComReg's consultation of May 4, 2016, (consultation document ComReg 16/31) included proposals to amend the quality of service regime. ComReg has advised its intention to issue a new decision on quality of service targets before the end of 2016. The targets specified in ComReg's 2008 Decision (D02/08) will apply for the interim period. On 26 August eir issued an Appeal to the High Court against the USO Designation Decision D05/16.

Compensation

We do not currently receive compensation for fulfilling our USO. The establishment of a sharing mechanism, including in the form of a fund, is required under the EU Universal Service Directive of 2002 and the Irish Universal Service Regulations where the net cost of the USO is found to amount to an unfair burden on the USP. On May 31, 2011, ComReg published Decision D04/11 (ComReg 11/42) on the methodology for costing USO and the requirements which we must meet in applying for funding. There are currently five applications for USO funding before ComReg in respect of the periods 2010/2011, 2011/2012 and 2012/13, 2013/2014 and 2014/2015.

In 2011, ComReg consulted on principles that could govern cost sharing if it was found that there was a net cost for us in providing the USO which amounted to an unfair burden (ComReg 11/77). ComReg proposed that operators contribute to a USO fund in proportion to their revenue subject to a minimum threshold of €0.5 million. ComReg has not yet published a final decision.

Performance targets

Since 2008 we have been subject to binding performance targets in respect of the obligation to provide connections and access set by ComReg under the Universal Service Regulations in respect of installations ("in situ" and "first time" connections); fault repair time (time taken, in working days, to repairs faults); and fault occurrence (the number of line faults per 100 lines in the network).

Following failure by us, in the view of ComReg, to meet some of the performance targets in 2009, we agreed with ComReg an approach with respect to the provision of the USO including successive quality of service performance improvement programs ("**PIP**"). Under the various PIP agreements, we have maintained cash guarantee on deposit to cover any financial penalty that may be imposed by ComReg if the targets are not met. The latest performance improvement program, known as PIP 3, was agreed with ComReg to cover the period January 1, 2015 to December 31, 2015 (see ComReg 14/129). There is no PIP agreement in place in respect of the current designation period to end June, 2016.

Furthermore, under the Universal Service Regulations, ComReg is authorized to set binding performance targets in respect of the obligation to provide connections and access and such other elements of the USO as ComReg deems appropriate and did so in May 2008. Following failure by us, in the view of ComReg, to meet some of the performance targets in 2009, we agreed with ComReg an approach with respect to the provision of the USO including successive quality of service performance improvement programs ("**PIP**"). Under the various PIP agreements, we have maintained cash guarantee on deposit to cover any financial penalty that may be imposed by ComReg if the targets are not met. The latest performance improvement program, known as PIP 3, was agreed with ComReg to cover the period January 1, 2015 to December 31, 2015 (see ComReg 14/129). There is no PIP agreement in place in respect of the current designation period to end June, 2016.

A severe weather event, referred to as Storm Rachel, in January 2015, and a sequence of storms in November and December 2015, which led to the highest rainfall ever recorded in Ireland, resulted in abnormally high rates of fault arrivals which negatively impacted our speed of repair performance and a potential penalty exposure. The 2015 performance assessment is ongoing. In accordance with the provisions of PIP 3 agreed with ComReg concerning "force majeure events", we have made an application seeking that ComReg, in assessing our performance under PIP 3 for the year 2015, takes into account the impact of the exceptionally severe weather events which have affected our network. As of the date of this Annual Report the outcome of PIP 3 was not yet finalised.

National Directory Database

The national directory database ("**NDD**") contains all telephone numbers listed in public directories or available through directory enquiries. ComReg designated us as the NDD operator for the period to June 30, 2018 (ComReg Decision D02/15; ComReg 15/44) as the result of which we are required to manage and keep the NDD up-to-date.

SMP Regime

The EU Regulatory Framework provides for the designation by NRAs of operators with SMP in markets that meet certain criteria for ex ante regulation. An operator will be designated as having SMP in a particular market if it has a dominant position in that market, as determined in a manner consistent with competition law practice. Once an operator has been designated as having SMP in a market, the NRA is obliged to impose at least one of the obligations listed in the Access Directive and must impose all such obligations on that operator as are considered appropriate, which may include the regulatory remedies of access, transparency, non-discrimination, accounting separation and cost accounting, and price control/cost orientation. Furthermore, where an NRA finds that these obligations have failed to achieve effective competition and that there are important and persisting competition problems or market failures identified in relation to the wholesale provision of certain access product markets, it may impose an obligation of functional separation, subject to the European Commission's approval.

Markets that are susceptible to ex ante regulation are listed in a Recommendation of the European Commission revised from time to time. The European Commission's initial recommendation in 2003 included 18 relevant markets. In

November 2007, the European Commission revised the list of recommended markets, reducing their number to seven. In October 2014, a second review by the European Commission was completed revising the number of recommended markets to five. Under the Framework Directive, NRAs are obliged to conduct a market analysis of the markets listed by the European Commission and designate operators with SMP as appropriate and impose obligations, following prior notification to the European Commission. The European Commission may object to the definition of a relevant market and the designation of the SMP operator but it cannot veto the remedies chosen by the NRA. NRAs may regulate other markets but the European Commission may veto such a decision.

The European Regulatory Framework requires the review of regulated markets every three years and that a market analysis is carried out to determine whether or not there is in fact effective competition in that market. New remedies may not be imposed without such a review, nor may existing remedies be removed without a market analysis, even where a regulated market is removed from the European Commission's list of markets susceptible to ex ante regulation.

ComReg's implementation of the market analysis process is ongoing. The following table lists the seven markets recommended by the EU in November 2007 along with the equivalent 2014 recommended markets, and the operators designated with SMP by ComReg.

2007	2014 Market	Market	SMP Operator(s)	ComReg Decision	Date
1	N/a	Retail Fixed Narrowband Access (Business & Residential)	Eir	Decision D12/14 (ComReg 14/89)	August 2014
				Decision D04/13 (ComReg 13/14) (Price Regulation of Bundled Offers) (1)	February 2013
2	N/a	Wholesale Fixed Call origination (2)	Eir	Decision D05/15 (ComReg 15/82)	July 2015`
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
3	1	Wholesale Fixed Call termination	eir and six OAOs (3)	Decision D06/07 (ComReg 07/109)	December 2007
4	3a	Wholesale Local Access at a Fixed Location (4)	Eir	Decision D05/10 (ComReg 10/39)	May 2010
				Decision D03/13 (ComReg 13/11) (Remedies for NGA) (5)	January 2013
				Decision D04/13 (ComReg 13/14) (Price Regulation of Bundled Offers) (1)	February 2013
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
5	3b	Wholesale Central Access at a Fixed Location (6)	Eir	Decision 06/11 (ComReg 11/49)	July 2011
				Decision D03/16 (ComReg 16/39) (Price Control)	May 2016
6	4	High Quality Access at a Fixed Location (7)	Eir	Decision D06/08 (ComReg 08/103)	December 2008
				Decision D02/12 (ComReg 12/03) (Price Control)	February 2012
7	2	Wholesale Mobile Call termination	Hutchison 3G Ireland, Lycamobile, Meteor, Telefónica O2, Tesco Mobile and Vodafone	Decision D11/12 (ComReg 12/124)	December 2012
				Decision D02/16 (Price Control)	February 2016

(1) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in markets 1 and 4.

(2) ComReg has withdrawn regulation of the transit market.

(3) In addition to eir, six OAOs were designated as having SMP: BT Communications Ireland Limited; Verizon Ireland Limited; NTL Communications (Ireland) Limited and Chorus Communications Limited (now UPC); Colt Telecom Ireland Limited; Smart Telecom; and Magnet Networks Limited.

(4) Market formerly called Wholesale Fixed Unbundled Access (WPNIA) including Current and Next Generation Access. WPNIA is wholesale physical network infrastructure access and includes LLU and next generation access/fibre.

(5) This decision was a further clarification of the remedies imposed on eircom arising from its SMP status in markets 4 and 5.

(6) Equivalent to Wholesale Fixed Broadband Access market in the 2007 list.

(7) Equivalent to Wholesale Fixed Terminating Segments of Leased Lines market in 2007 list.

SMP Regulation of our retail fixed access products and services

We were designated as having SMP in three markets related to retail fixed access pursuant to ComReg Decision D12/14 including Standalone Lower Level Voice Access, Bundled Lower Level Voice Access, and Higher Level Voice Access. In respect of Standard Lower Level Voice Access, we are subject to a price publication obligation and to a price cap permitting increases of dCPI minus 0% and to an obligation not to unreasonably bundle voice access as well as a cost accounting obligation. In respect of the provision of Bundled Lower Level Voice Access and Higher Level Voice Access, we are subject to an obligation not to unreasonably bundle voice access and a cost accounting obligation. The obligation not to unreasonably bundle is specified in ComReg Decision D04/13.

Under ComReg Decision D04/13 (ComReg 13/14), we are required to notify ComReg five days in advance of launching a bundle which has a retail line rental component and obtain ComReg's prior approval. The decision provides additional pricing flexibility for bundled services offered in "Larger Exchange Areas" ("**LEA**") where competition is most intense through the use of modified wholesale costs to assess margin squeeze and the use of a portfolio and product by product test with some use of LRIC for retailing costs of calls.

SMP Regulation of our Wholesale fixed access products and services

Fixed voice telephony regulation

We are currently designated as having SMP in the wholesale fixed voice telephony markets, including in particular the markets for wholesale call origination services and wholesale call termination services. As a result, we must offer interconnection services to OAOs seeking to interconnect with our network. We publish a RIO, which sets out the tariffs, contract terms and conditions at which we offer interconnection services. These must be non-discriminatory and transparent. We must also ensure that our cost accounting systems are suitable for implementing our interconnection obligations.

RIO prices are in general based on the LRIC of providing interconnection services, plus a rate of return on investment. In September 2012, ComReg issued a consultation, ComReg 12/96, proposing to maintain the existing SMP designations and to impose SMP designations on all other operators active in the fixed termination market. The draft decision instrument identified 18 SMP operators. As of the date of this report, no decision has been made by ComReg.

As a result of the existing SMP designation ComReg has imposed obligations of access, transparency, non-discrimination, price control, accounting separation, and cost accounting upon us. OAOs designated with SMP are only subject to obligations of non-discrimination, transparency and price control. ComReg Decision D12/12 (ComReg 12/125) requires each of the fixed operators designated with SMP in Decision D06/07 to ensure that its fixed termination rate(s) are set in accordance with a pure LRIC costing methodology. Since July 1, 2015, the maximum chargeable rates are € cent 0.060 per call and € cent 0.049 per minute when two part charging is applied, and € cent 0.072 for single charge. We apply two-part charging.

On July 24, 2015 ComReg issued Decision D05/15 (ComReg 15/82) completing its review of the wholesale fixed voice call origination and transit markets. ComReg Decision D05/15 maintains eir's designation as SMP operator in respect of fixed voice call origination and deregulates the transit market where we no longer have SMP and as a result are no longer subject to SMP obligations. In respect of fixed voice call origination, ComReg maintained the obligations of access, transparency, non-discrimination, price control, cost accounting and accounting separation.

Our obligation of access includes Single Billing-Wholesale Line Rental (SB-WLR) which allows an authorised operator to resell our access service. We maintain and repair the access line, which remains connected to our switched network, and bill the operator for the use of the line. The operator bills the end customer for the operator's bundled service. We are also required to make call tracking, call barring, voicemail, call waiting, three way calling and alarm/reminder call and similar services available to all operators as ancillary services to carrier pre-selection SB-WLR. These services are provided through the SB-WLR product.

We provide a wholesale end-to-end call service to OAOs without the need for OAOs to have their own interconnection infrastructure. The service is known as switchless voice (White Label). On September 15, 2011, ComReg published its Decision D07/11 (ComReg 11/67), which introduced price controls and transparency obligations in the associated wholesale call origination and wholesale call termination markets in order to guard against the possibility of a margin squeeze between switchless voice and the associated wholesale products In addition, ComReg directed that we have obligations to publish terms, conditions, service level agreements, guarantees and other product related assurances in respect of the call origination and call termination component elements of a switchless voice service.

On May 18, 2016, following consultation, ComReg published Decision D03/16 (ComReg 16/39) concerned with eir's pricing of its wholesale fixed access services. The Decision imposed cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling, Pole and Duct access as well as two new Margin Squeeze Tests between retail and wholesale line rental prices. As a result of the Decision which replaces the previous retail-minus price control for SB-WLR with cost-orientation and a margin squeeze test, we are required to lower our prices for SB-WLR from July 1, 2016.

Leased lines

We offer leased lines on a wholesale and retail basis. We are required to submit proposed wholesale prices or wholesale price changes to ComReg for approval. The prices at which we offer wholesale leased lines must be cost oriented.

In December 2008, ComReg published its Decision D06/08 (ComReg 08/103) on the review of Leased Lines Markets, removing the SMP designation from us and lifting regulations on the retail leased lines market and the wholesale market for trunk segments of leased lines. ComReg retained the SMP designation and regulation on us in the wholesale market for terminating segments of leased lines, which includes Ethernet based connectivity services. The unregulated wholesale market for trunk segments of leased lines is defined as comprising circuits of a capacity equal to or exceeding STM-1 between (but not within) certain Urban Centres in Ireland. The number of Urban Centres defining the boundaries of the unregulated trunk segment market has been reviewed by ComReg from time to time and increased at our request from 8 to 16.

The price at which we provide partial private circuits is regulated by ComReg under Decision D06/08 and is required to be based on LRIC. Furthermore ComReg Decision D02/12 (ComReg 12/03) published in February 2012 set price ceilings for wholesale leased lines (being end circuits, set at the level of the prices applicable on the date of the decision) and price floors determined on the basis of a model applying a similarly efficient operator ("**SEO**") test. An SEO is defined as an operator that is as efficient as us but does not benefit to the same degree as we do from economies of scale. An SEO test accordingly uses costs for us adjusted upwards. Retail leased line prices are not directly regulated. However, we have obligations under ComReg Decision D06/08 (ComReg 08/103) not to cause a margin squeeze and accordingly the price of retail leased lines is constrained by the price of our regulated wholesale leased lines.

Wholesale Physical Network Infrastructure Access—Unbundled local loops

On May 20, 2010, ComReg in Decision D05/10 (ComReg 10/39) re-designated us as having SMP in the wholesale physical network infrastructure access market ("**WPNIA**") and continued our obligation to make available to OAOs our copper cables, or local loops, that run from customers' premises to the local exchange. The local exchange lines that we make available are referred to as "unbundled local loops". OAOs may site their equipment in or adjacent to our local exchanges so that they can use our local access network directly by connecting their equipment to it. They are then able to use our access network to offer services directly to the customer. In addition to LLU, Decision D05/10 requires us to provide shared unbundled access (Line Share) which permits an operator to provide a service (such as broadband), on the same copper pair that another operator uses to provide another service (such as narrowband) to the same retail customer, sub-loop unbundling ("**SLU**") and access to ducts and poles. We are obliged to meet reasonable requests for new forms of full and shared unbundled access to our local loop and related facilities under transparent, fair, reasonable and non-discriminatory conditions. An assessment of whether a request for access is reasonable is made with reference to criteria set out in the applicable regulations.

The WPNIA market incorporates LLU (current generation access) and fibre (NGA). The overall market is national in scope so there is no geographic segmentation. However, in imposing and designing obligations, ComReg has taken a dual approach, treating next generation WPNIA separately from the current generation WPNIA (LLU).

In January 2013, ComReg published its Decision D03/13 (ComReg 13/11) in relation to remedies for NGA markets, covering the WPNIA and wholesale broadband access markets. In relation to WPNIA, Decision D03/13 requires us to provide access, including in the form of duct and pole access and dark fibre when duct or pole access is unavailable, co-location, backhaul and interconnection. We are also required to provide access to sub loop unbundling in areas designated as susceptible to form part of a state subsidy scheme, for instance as a result of the implementation of the government's NBP for Ireland announced in August 2012. In other areas, sub loop unbundling will only be required in the absence of imminent or credibly scheduled NGA deployment. The decision also provides for an enhanced non-discrimination obligation supported by a regime of compliance monitoring and governance. Extended notification periods to ComReg and OAOs apply for the introduction of new products, changes to new products and pricing. The price control obligation includes an obligation to apply cost-oriented prices for LLU and sub loop unbundling in line with the equivalent copper prices.

Wholesale broadband access—Wholesale Bitstream Access

ComReg published Decision D06/11 (ComReg 11/49) in July 2011 on the review of the wholesale broadband access market. ComReg found that there was a single national market (i.e., no sub-geographic markets). ComReg redesignated us as having SMP and imposed upon us the remedies of access, accounting separation, transparency, non-discrimination, price control and cost accounting.

In addition to a requirement to meet reasonable requests for fibre unbundling, in relation to next generation wholesale broadband access, ComReg Decision D03/13 (ComReg 13/11) requires us to provide access including in the form of virtual unbundled access, enhanced bitstream, multicast, co-location, backhaul, interconnection, migrations and in-premises services. We are also subject to an obligation of non-discrimination in the form of an equivalence of inputs requirement for the end-user elements of virtual unbundled access and bitstream, and in the form of an enhanced equivalence of outputs requirement to apply to all remaining elements. This enhancement includes in particular obligations of compliance monitoring and governance. The decision also imposes extended notification periods to ComReg and OAOs for new products, changes to existing products and pricing as well as strict requirements around the provision of network information concerning NGA roll-out plans.

We are also required to ensure that the respective levels of retail and wholesale prices, including as between various wholesale prices, are such that they do not cause a margin squeeze and we must furnish to ComReg a compliance statement with respect to the prices of new products and changes to existing products. Some relaxation of the margin squeeze test is provided including the use of a portfolio approach rather than individual product test, the use of an equally efficient operator's ("**EEO**") costs in some instances. For retail price changes, a notification period to ComReg of five working days applies.

Pricing of Current Generation wholesale access services including WPNIA and WBA

ComReg Decision D03/16 (ComReg 16/39), published on May 18, 2016, amends the applicable price controls for our current generation wholesale access. In particular, ComReg Decision D03/16 further specifies how we are to comply with our obligation of cost-orientation in the WPNIA and WBA markets and seeks to achieve, from ComReg's perspective, the appropriate balance between ensuring that we can recover our efficiently incurred costs (including an appropriate rate of return) and that appropriate investment signals are provided to the marketplace in terms of efficient market entry and sufficient incentives to invest in urban areas. ComReg accordingly used in some instances bottom-up long run average incremental costs plus an apportionment for joint and common costs (BU-LARAIC+) and in others, Top Down historic cost accounting (TD HCA) taking into account as the case may be the likely geographic areas where the services are expected to be availed and/or the state of infrastructure competition using the notion of "Larger Exchange Area" ("**LEA**") also used for the purpose of regulating the price of retail bundles including a voice access (line rental) component. The price control applies for a minimum period of three years:

	July 1, 2016 - June 30, 2017	July 1, 2017 - June 30, 2018	July 1, 2018 - June 30, 2019
LLU (BU LRAIC+)	9.34	9.88	10.40
SLU (BU-LRAIC+)	5.41	5.60	5.77
Stand-Alone Broadband outside the LEA (TD-HCA)	21.68	22.09	22.45

Decision D03/16 also sets a maximum annual price per meter of sub-duct based on a blend of TD costs and BU-LRAIC, differentiated between Dublin exchanges and provincial exchanges. Maximum annual prices are also set for Pole access and separately Dark Fibre, differentiated between the LEA and Outside the LEA and using a blend of TD costs and BU-LRAIC.

Rate of return

On August 11, 2009, ComReg published a Decision (ComReg D03/09) on our regulatory assets lives, extending the lives of the major asset classes. The decision took effect with respect to the 2009/2010. The change in asset lives resulted in a difference in the treatment of assets in the regulatory accounts when compared with the statutory accounts. The regulatory accounts are used to set regulated wholesale prices. The effect of the decision was to reduce our depreciation costs to be included in the regulatory accounts and potentially wholesale prices.

ComReg Decision D15/14 (ComReg 14/136) specifies a WACC of 8.18% to be used in respect of our regulated activities and a WACC of 8.63% in respect of Meteor's regulated activities. Any obligations imposed on us relating to cost recovery and price controls (including regulated wholesale prices) imposed prior to the Effective Date and calculated using a previous WACC set by ComReg continue to apply until such time as a price review is conducted and a new regulated price set.

Accounting separation

We are subject to an obligation of accounting separation in respect of the wholesale markets in which we have been designated with SMP. Following consultation, ComReg published its Decision D08/10 (ComReg 10/67) in August 2010, directing measures relating to the content, format and level of granularity of our regulated (separated) accounts. Our annual separated accounts are prepared in line with the requirements of this decision.

Key Performance Indicators

Following a consultation process, in June 2011, ComReg published its Final Decision D05/11 (ComReg 11/45) directing that our report on a quarterly basis on key performance indicators for provision and repair in the following regulated markets: (i) retail narrowband access; (ii) wholesale broadband access; (iii) WPNIA; and (iv) wholesale terminating segment of leased lines. The key performance indicators must be published by us no later than two months from the end of each quarter.

open eir Wholesale Regulatory Governance Model

We have been involved in a number of initiatives that enhance access to our infrastructure for other telecommunications operators. These measures aim to deliver process improvements for existing regulated wholesale products such as LLU, as well as for NGA products by ensuring that all operators have access via open eir wholesale to our technology organisation and product development processes to deliver products and services to the end customer on a non-discriminatory basis.

We have engaged with ComReg on proposals on the following topics:

- organisation structure and internal processes;

- systems;

- Code of Practice/behavioural changes; and
- governance.

A key element of open eir's programme was the development of an enhanced Regulatory Governance Model which has delivered the following:

- A Group Wide Code of Practice (COP) dealing with eir's Access and Non-Discrimination Obligations. This is currently being updated to include Transparency, Pricing and our Consumer obligations.

- A Business Unit Process Compliance review program to ensure our day to day processes are compliant with the COP by implementing the necessary Regulatory Controls, the output of which is Statements of Compliance (SoCs).This has been completed for Access and non-discrimination and is planned to be completed for Transparency, Pricing and Consumer Obligations in the 2016/2017 financial year.

- Independent Regulatory Compliance and Audit Reports to the Board Wholesale Reforms Committee and updates to ComReg/Industry on a six monthly basis. The latest report, covering the period to end March 2016 was published in May 2016.

On December 7, 2015, ComReg announced its intention to review the effectiveness of eir's Regulatory Governance Model (See ComReg 15/128). ComReg has indicated that the review will continue for the remainder of this calendar year (ComReg 16/42).

Compliance

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations. In addition, the Framework Regulations 2011 provide for a dispute resolution mechanism whereby disputes between operators, including eir, may be brought for resolution to ComReg with the view to ensuring compliance with relevant obligations. Set out below are the compliance investigations which have been the subject of a notification of non-compliance by ComReg issued within the last 12 months and which remain open.

- ***ComReg Case 481—Quality of Supply for Bitstream.*** In March 2013 ComReg commenced an investigation into the differences (up to 3%) in the Quality of Supply (QoS) for Bitstream connections versus Retail connections apparent from the published KPI reports. Internal analysis of the data at the time did not identify a clear cause for the differences, however, misreporting of faults by Wholesale Customers was considered to be a factor. The scope of the investigation was subsequently broadened by ComReg to include equivalence of Bitstream repair more generally. In July 2015 ComReg issued four notifications of findings of non-compliance in relation to eir's compliance with its non-discrimination and transparency obligations. In August 2015 we responded to the above findings of non-compliance outlining why it believed that ComReg's Notifications should be withdrawn outlining in particular that remediation measures that had been undertaken in the meantime had addressed the issues. We await ComReg's response to our representations.

- ***ComReg Case 815—Disclosure of details of the extension of FTTH Roll Out Plans to downstream arm and to Wholesale Customers.*** In August 2015 ComReg commenced a compliance investigation into eir's compliance with its non-discrimination obligations in the Wholesale Physical Network Infrastructure Access and Wholesale Bitstream Access Markets in the context of the FTTH Roll Out Plans. We were requested to provide details of any information that was provided to our downstream arm regarding the 300,000 FTTH roll-out between the Board approving the roll-out and its public announcement. In January 2016, ComReg issued a Notification of a finding of non-compliance, finding that the making available of certain information to our downstream arm three weeks before it was made available to Wholesale Customers constituted a breach of our obligation of non-discrimination. We have denied the breach in our representations to the Notification and await ComReg's response to our representations.

- ***ComReg Case 683—Access Reference for Poles.*** On March 21, 2016, ComReg notified us of its finding that for the period up to August 10, 2015, when we published our Access Reference Offer for Poles, we had been in breach of its transparency obligations under ComReg Decision D05/10 and ComReg Decision D03/13. We have denied the breach and we await ComReg's response to our representations.

- ***Case 850—Dispute brought by Sky UK Ltd, BT Communications Ltd, Vodafone Ltd and Magnet Networks Ltd*** in respect of the service level agreements ("**SLAs**") which we are required to conclude with OAOs as part of our obligation of access in the WPNIA and FACO markets and concerning LLU, Line Share and SB-WLR, in particular the level of service below which we agree to pay penalties to the OAO concerned. A draft resolution was published by ComReg on May 20, 2016 and interested parties could submit comments to ComReg by 1st July 2016. We await ComReg's response to representations received.

There are other on-going regulatory investigations which have been either dormant or in respect of which ComReg has not issued notifications of breach but which may lead to such notifications and to fines and other penalties.

Non-Irish Regulation

Although we principally provide telecommunications services in Ireland, we also provide some services outside of Ireland in the United Kingdom through our UK subsidiary, eir UK, and are accordingly subject to their laws.

Since 2003, telecommunications services in the United Kingdom are provided under general authorisations, and such general authorisations, broadly similar to those applicable in Ireland as described above under "—General authorisations, Licenses and Rights of Use", govern our telecommunications services within and from the United Kingdom. More onerous regulatory obligations apply to those undertakings found from time to time by the UK Office of Communications ("**Ofcom**") to have SMP in certain specified markets.

On September 26, 2013, Ofcom published a statement concluding its review of the fixed narrowband services markets and, among other things, redesignating eir UK and all other providers of fixed networks in the United Kingdom with SMP in respect of the provision of call termination services. Ofcom has required all fixed providers with SMP to provide network access on reasonable request and to notify charges. In addition, Ofcom has decided to continue with the principle of symmetry of termination rates, such that termination rates above those of BT's would be considered to be unreasonable unless they can be justified by reference to specific criteria. However, Ofcom also directed that BT's fixed termination rates be set on the basis of Pure LRIC from January 1, 2014.

While this measure does affect the ability of eir UK to set its own termination charges in the United Kingdom, its current effect is minimal. In the United Kingdom, we use BT's network for the most part for terminating call traffic. Therefore, we benefit from regulatory measures imposed by Ofcom on BT, which have the effect of reducing call termination charges.

Regulation of mobile services

Mobile spectrum rights

Meteor operates its mobile network using two spectrum licenses, a Liberalised Use License, issued in 2012 and a 3G License issued in 2007.

In 2012 Meteor acquired rights under an additional license to use spectrum for the following spectrum:

- 2x10MHz in the 800MHz band to July 12, 2030;

- 2x10MHz in the 900MHz band to July 12, 2030;

- 2x15MHz in the 1800MHz band to July 12, 2030.

This license operates on a technology neutral basis meaning that Meteor can, and does, use GSM, UMTS and LTE technologies in the spectrum bands.

The fourth 3G license in Ireland was granted to eircom Limited (Ireland) on March 12, 2007 and was subsequently assigned to Meteor. The license is for successive one-year terms, up to a maximum term of 20 years, subject to the payment of relevant annual fees. The licensee is committed to achieving defined performance targets in respect of network roll-out and quality of service by specified dates. Upon initial grant of the license, we issued performance bonds totalling €100 million in respect of these commitments. Following various ComReg compliance assessments and the achievement of the relevant targets required to be met as of the compliance dates, the performance bond, in the form of a cash guarantee, in relation to the 3G license has been reduced to €1.9 million. Meteor maintains an on-going compliance program with respect to outstanding targets. Failure to meet a defined performance target by specified dates will result in payment of specified penalties.

On June 27, 2014 ComReg issued a Call for Input (ComReg 14/65) seeking views on making existing 3G licenses technology neutral (referred to as liberalization). It is ComReg's intention to issue a further consultation on this matter.

Mobile Termination Rates

ComReg published its Decision D11/12 (ComReg 12/124) in November 2012. Arising from the Decision, six mobile operators were redesignated with SMP in the mobile termination market, 3, Lycamobile, Meteor, O2, Tesco and Vodafone. Each operator carries the following SMP obligations: access, non-discrimination, transparency, price.

ComReg published its Decision D12/12 (ComReg 12/125) on the price control of the termination rates for fixed and mobile operators. On December 18, 2012 Vodafone lodged an appeal to the Irish High Court challenging Decision D11/12, insofar as that decision imposed a cost orientation obligation, and also ComReg Decision D12/12 regarding the mechanism to determine the applicable MTR. In its judgment given on August 14, 2013, the High Court determined that setting MTRs by means of benchmarking, as per the initial ComReg model, was not appropriate and that it was ultra vires. In October 2013, the Irish High Court ordered that the MTR applicable from January 1, 2013, namely 2.60 cents per minute continues in place in respect of all SMP mobile operators until such time that ComReg determined a maximum MTR on the basis of a pure bottom-up LRIC model.

On February 12, 2016, ComReg issued Decision D02/16 which requires the six SMP mobile operators to adjust their MTRs to meet Pure LRIC price caps from 1st September 2016:

- 0.84 cpm from September 1, 2016 to December 31, 2016
- 0.82 cpm from January 1, 2017 to December 31, 2017
- 0.79 cpm from January 1, 2018 to December 31, 2018

International roaming tariffs

Following the adoption of Regulation EC No 717/2007 of the European Parliament and of the Council in June 2007 on roaming on public mobile telephone networks within the Community, both wholesale and retail international roaming charges have been subject to regulation and price controls.

On November 25, 2015, Regulation (EU) No. 2015/2120 was adopted by the European Parliament and the Council. It is the intention of the Regulation that retail roaming will be abolished on June 15, 2017, subject to completion of a review of the operation of the wholesale roaming market by the European Commission and the adoption of implementing acts laying down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges. A transition period commenced on April 30, 2016 during which the mark-up for roaming retail charges relative to domestic retail charges is limited to the wholesale price caps.

9. MANAGEMENT

Directors and Senior Management

The board of directors of the Company currently consists of four directors. A list of the members of the board of directors of the Company is set forth in the table below:

Name	Age	Position
Padraig McManus.........................	65	Non-Executive Chairman
Parm Sandhu	48	Non-Executive Director
Richard Moat...............................	61	Director and Group Chief Executive Officer
Huib Costermans	49	Director and Group Chief Financial Officer

The address of the Board of Directors of EHIL is at the registered office of EHIL.

Padraig McManus joined EHIL as Non-Executive Chairman in January 2013. From 2002 to 2011, he was chief executive and member of the board at the ESB Group. Mr. McManus is currently on the board of the Photonomi Group, Bhsl and Chairs the Boards of Economic and Social Research Institute of Ireland ("**ESRI**") and Mincon International. He has previously served for two terms as a board member of the Conference Board of the United States. Mr. McManus took ESB through its successful acquisition of Northern Ireland Electricity Limited in 2010. He holds a Bachelor of Electrical Engineering from University College Dublin.

Parm Sandhu joined EHIL as a Non-Executive Director in 2012. He is also a non-executive director of Central European Media Enterprises (where he chairs the nominating and corporate governance committee), Largo Limited (the holding company for the Greek challenger mobile and fixed telecoms business Wind Hellas where he is Chairman) and Hibu (a digital marketing business operating in U.S., UK and Spain). Mr Sandhu was CEO of Unitymedia, Europe's third largest broadband cable operator, for seven years before leaving in 2010 after overseeing its successful sale to Liberty Global Inc. for €3.5 billion. He was previously Finance Director with Liberty Media International and spent six years at Telewest Communications plc (now Virgin Media) in a number of senior finance and strategy positions. Mr. Sandhu has represented the cable industry's interests at an international level as a former board member of ANGA, the Association of German Cable Operators, and as a former member of the Executive Committee of Cable Europe. He is a graduate of Cambridge University where he gained a MA Honours degree in Mathematics and is a UK qualified ACA and a member of the Chartered Institute of Marketing. Mr. Sandhu is recognised as an international media and telecoms expert with a track record of value creation through his knowledge and experience of strategic marketing, capital allocation and balance sheet management.

Richard Moat joined EHIL as Group Chief Financial Officer in September 2012. He was appointed as Chief Executive Officer in November 2014. From 2010 to 2011, Mr. Moat was Deputy Chief Executive and Chief Financial Officer at Everything Everywhere Limited. From 2009 to 2010, he was Managing Director at T-Mobile UK Limited. Mr. Moat took T-Mobile's UK unit through its restructuring before its merger with Orange UK to join Everything Everywhere Limited. Over the last 13 years, in addition to the aforementioned directorships, Mr. Moat has held Chief Executive Officer positions within the Orange group, including at Orange Thailand from 2000 to 2002, Orange Denmark A/S from 2002 to 2004 and Orange Romania SA from 2004 to 2009. Since June 2012, he has been an independent Non-Executive Director of International Personal Finance plc. He is a member of the advisory board of Tiaxa, Inc. He is a fellow of the Association of Chartered Certified Accountants and holds a Diploma in Corporate Finance and Accounting from London Business School and a Master's (Honours) degree in Law from St Catharine's College, Cambridge.

Huib Costermans joined EHIL as Group Chief Financial Officer in August 2015. From 2008 to 2015, Mr. Costermans held a number of senior finance roles at KPN, including Chief Financial Officer at KPN NL (September 2013 to July 2015), CFO E-Plus (September 2011 to August 2013) and CFO of Wholesale & Operations (2008 to 2011). From 1992 to 2008, Mr. Costermans held a number of finance roles with Akzo Nobel—BU Organon, a Human Pharmaceuticals firm, and worked in a number of locations including the Netherlands, New Jersey, U.S. and France. He holds a Masters in Economic Science from Erasmus University Rotterdam and a Masters in Finance from Tilburg Institute for Academic Studies.

Senior Management Team of eir

Our senior management consists of the following senior managers who are responsible for the business and administrative departments indicated below. Each of our senior managers are employed by eir.

Name	Age	Position
Richard Moat (1)	61	Group Chief Executive Officer
Huib Costermans (1)	49	Group Chief Financial Officer
Jon Florsheim	55	Managing Director—Consumer
Bill Archer	58	Managing Director—eir Business
Carolan Lennon	49	Managing Director—Wholesale
Una Stafford	47	Interim Managing Director—Networks
Erik Slooten	44	Chief Information Officer
Orla Coughlan	51	Chief Human Resources Officer
Tim Spence	43	Managing Director—Customer Operations

Jon Florsheim was appointed to the position of Managing Director, Consumer Division, in November 2014. Mr. Florsheim has been with eir since March 2014 as Director of TV & Fixed, spearheading our approach to consumer bundles, as well as the continued development of our TV services. He has a wealth of experience and deep knowledge of the TV and broadband industry combined with exceptional commercial expertise. Before joining eir, Mr. Florsheim was CEO of M7 Group SA, a European Provider of Satellite Services in Luxembourg. Mr. Florsheim has also served more than 13 years in various senior and executive roles at Sky UK including Managing Director for Sky's Customer Group where he launched Sky +, Sky Broadband and Sky's Telephony offering. Prior to that, he was the Marketing Director for the Dixons Group.

Bill Archer was appointed Managing Director of our Business Division in February 2014. Mr. Archer has over 30 years of experience in the telecommunications industry, including fixed, wireless cloud and managed network services. He has previously held several roles at AT&T, including President of Advanced Solutions, Executive Vice President, Strategy and Transformation, CMO AT&T Business Solutions and President of EMEA. He holds a Bachelor of Science from Providence College.

Carolan Lennon was appointed as Managing Director of Wholesale in June 2013. From 2010 to 2013, Ms. Lennon was Chief Commercial Officer of the Consumer division where she had responsibility for both the fixed and mobile businesses, including the eir, eir Mobile and Meteor brands. Prior to joining eir in 2010, Ms. Lennon held a variety of positions in the telecommunications and technology sectors, including Consumer Director and Marketing Director while at Vodafone Ireland. Ms. Lennon is a Fellow of the Marketing Institute, holds a Master of Business Administration from Trinity College, Dublin and a Bachelor of Science from University College Dublin. Ms. Lennon has also lectured in operations management at university level.

Una Stafford was appointed as interim Managing Director of Networks in July 2016. Since 2010 Ms. Stafford has held the position of Director of Fixed Access Operations in Networks. Ms.Stafford had held a number of other senior management positions in eir since she started her career in eir in 1991. Ms. Stafford holds a Bachelor of Science (Honours) in Applied Physics from Dublin City University and a post graduate Diploma in Management Information Systems from the Irish Management Institute.

Erik Slooten commenced his role in August, 2015, having been appointed Chief Information Officer, joining eir from T-Mobile in the Czech Republic, where Mr. Slooten was Regional Vice President for Processes and Systems. Prior to this, he was CIO of GTS, for Central Europe. He was previously CIO at Vivacom in Bulgaria. Prior the CIO roles, he worked in Senior Management positions in IT and Technical and Transformation Program and Project Director Roles in the Telecommunications industry across Europe. Mr. Slooten holds a Telecommunications Engineering Degree.

Orla Coughlan was appointed Chief Human Resource Officer in November 2015, which became effective in December 2015. In this role she will be responsible for our People Strategy, and operational management of all aspects of our Human Resource function, including Talent Acquisition/Management, Reward, Health & Safety, and Industrial Relations. Prior to coming to eir Ms. Coughlan had over 20 years' experience, across a number of Executive HR roles in

Ireland and internationally (U.S. & EMEA), including Global VP HR at Activision Blizzard, EMEA HR Director at Citrix, and Vice President of HR & Communications at Cleverbug. She holds a Bachelor of Arts from UCC in Economics and Psychology.

Tim Spence was appointed as Managing Director of Customer Operations in January 2016. From 2013 to 2015 Mr. Spence held a number of roles in the Finance and Consumer Business Units at eir including Programme Manager for the re-branding project in 2015. Prior to joining eir, Mr. Spence held a number of senior positions in Finance at Everything Everywhere and T-Mobile in the UK and started his career as part of the graduate programme at PwC in Australia. Mr. Spence holds Bachelor of Arts (Honours) and Bachelor of Commerce degrees from University of Melbourne and is a member of the Institute of Chartered Accountants Australia.

Executive Officers

The Chief Executive Officer and the Chief Financial Officer are both executive officers and employed by EHIL.

Name	Age	Position
Richard Moat [(1)]	61	Group Chief Executive Officer
Huib Costermans [(1)]	49	Group Chief Financial Officer

(1) Biography included under "—Directors and Senior Management—Board of Directors of eir".

Committees of EHIL's Board of Directors

We have four permanent board committees: the audit committee, the remuneration committee, the nominations committee and the wholesale reforms committee. All four committees have formal terms of reference approved by our board of directors. All directors are members of the audit, remuneration and nominations committees and Padraig McManus is a member of the wholesale reforms committee.

Audit Committee

The audit committee assists the Board of Directors in discharging their responsibilities in relation to financial reporting, risk management, external and internal audits and controls. This includes matters such as reviewing EHIL's annual financial statements, internal financial control and risk management systems, monitoring and reviewing eir's internal audit program and advising on the appointment of eir's external auditors.

Remuneration Committee

The remuneration committee assists the Board of Directors in discharging their responsibilities in relation to remuneration. This includes determining and agreeing with the Board of Directors the policy for the individual remuneration and benefits of each of the Chief Executive Officer, the Chief Financial Officer, the executive directors and company secretary, as well as monitoring and recommending the remuneration of senior management, and approving the overall remuneration policy in relation to all other employees.

Nominations Committee

The nomination committee assists the Board of Directors in nominating candidates for roles within the organisation.

Wholesale Reforms Committee

The Wholesale Reforms Committee assists the Board of Directors in implementing wholesale reforms in eir as they relate primarily to eir's non-discriminatory obligations.

Compensation of directors and executive officers

The aggregate compensation paid and payable to all of our directors, executive officers and the senior management team, for the period for which they acted as directors executive officers and members of the senior management team included all individuals who served during the year, including salary, pension contributions, compensation for loss of office, directors' fees and the estimated total value of benefits-in-kind granted by us to our directors and executive officers and senior management team as a group, during the financial year ended June 30, 2016 under any description whatsoever was €12.8 million. Fees are paid to the directors on the board of directors for each year of service and all of the directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with attending board meetings. For further details see note 39 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended June 30, 2016 contained elsewhere in this annual report.

We maintain directors' and officers' liability insurance.

Directors' service contracts

Details of the terms of each of our Directors' service agreement are set out below.

Name	**Areas of responsibility**	**Date of expiry of current office**	**Expiration date of duties**	**Contractual remuneration upon termination**
Padraig McManus	Chairman	Indefinite duration; may be terminated with three months' notice	Indefinite	No contractual termination payments.
Parm Sandhu	Non-Executive Director	Indefinite duration; may be terminated on three months' notice	Indefinite	No contractual termination payments
Richard Moat	Director and CEO	Successive two year rolling fixed terms commencing on December 1 of each year, which can be terminated by written notice 3 months prior to contract renewal date (15 months).	Indefinite	Minimum severance payment on involuntary termination which shall be not less than 15 months of base salary.
Huib Costermans	Director and CFO	Indefinite duration. May be terminated with 12 months written notice	Indefinite	Minimum severance payment on involuntary termination which shall be not less than 18 months of base salary in first two years of service and not less than 12 months of base salary after first 2 years of service.

Loans to Directors and Executive Officers

We do not have any outstanding loans to any of our directors or executive officers.

Management incentive plan

The management incentive plan was initiated in the year ended June 30, 2013 by our parent holding company, Eircom Holdco S.A., for certain of our directors and senior executives. The management incentive plan originally incentivised the participants to deliver full repayment of our borrowings under the Senior Facilities Agreement ("**a debt value event**") and to deliver maximum returns to shareholders on a sale of their shares ("**sale event**"). The debt value element was accounted for in accordance with IAS 19, Employee benefits, and the equity value element in accordance with IFRS 2, Share based payments. In December 2014, the shareholders of Eircom Holdco S.A. elected to simplify the structure by removing the debt related elements of the plan and thereby aligning the returns to the participants with the returns to the shareholders. Following these amendments all of the benefits of the management incentive plan are accounted for in accordance with IFRS 2.

The individual participants' entitlements under the management incentive plan are subject to graded vesting on a time basis over five years, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining contractual vesting term of the awards is 2.38 years.

The participants are entitled to receive instruments in Eircom MEP S.A., which in turn holds instruments in Eircom Holdco S.A. The instruments held in Eircom MEP S.A. carry no voting rights and are not transferable. For some participants, there is a separate entitlement to receive a cash payment (upon the occurrence of specific liquidity events) by reference to the value of notionally allocated instruments in Eircom MEP S.A. held by Eircom MEP STAR Trust. Under the terms of the management incentive plan there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event.

10. PRINCIPAL SHAREHOLDERS

Beneficial ownership

EHIL is a wholly owned subsidiary of eircom Holdco S.A.

Major shareholders

The table below sets forth the ten largest holders of shares of eircom Holdco S.A., the ultimate parent of the Issuer, as of close of business on August 30, 2016. References to the shareholders include funds advised by such shareholders.

	Ordinary shares and warrants beneficially owned			
Name (1)	**No. of Class A Shares**	**No. of Class A Warrants**	**Total**	**(%)** (1)
Anchorage Capital Group	2,220,546	-	2,220,546	36.4%
GIC (Rocco Ventures Ltd)	991,380	-	991,380	16.3%
Davidson Kempner Capital	720,855	-	720,855	11.8%
York Capital Management	596,765	-	596,765	9.8%
Citi entities	105,972	-	105,972	1.7%
Banco Espirito Santo	44,177	-	44,177	0.7%
Credit Suisse Entities	32,928	-	32,928	0.5%
Pemba	19,331	-	19,331	0.3%
BNP Paribas	10,013	-	10,013	0.2%
Pimco	7,086	-	7,086	0.1%

(1) Excludes (i) equity interests held for the purposes of the management incentive plan which are noted below,(ii) security holders with no voting rights and (iii) shares held in trust.

(2) The percentage is determined based on the total number of Class A shares and Class A warrants as a % of the total equity, and includes equity interests held for the purposes of the management incentive plan, together with shares and warrants held in treasury.

On December 8, 2014, all of the outstanding Class B Shares (which were held by Eircom MEP S.A.) were converted into Class A shares and all of the Class C warrants (held by Eircom MEP S.A.) were cancelled. On the same date, all of the Class A shares that were held in treasury were transferred to Eircom MEP S.A. As of August 30, 2016, Eircom MEP S.A. owned 806,971 shares.

As of August 30, 2016, 133,521.00 shares were held by an indirect subsidiary Eircom Lux Holdings 2 as treasury shares.

Share capital

As of August 30, 2016, the issued capital of Eircom Holdco S.A. was €57,243.87, represented by 5,724,387 Class A shares with a par value of €0.01 each.

11. RELATED PARTY TRANSACTIONS

The following are descriptions of the material provisions of agreements and other documents between either the Issuer or eir and various individuals and entities that may be deemed to be related parties. See Note 39 to the eircom Holdings (Ireland) Limited consolidated financial statements for the year ended June 30, 2016 contained elsewhere in this Annual Report).

Securityholders deed

The immediate holding company of eircom Limited (Ireland), EHIL, and its ultimate holding company, eircom Holdco S.A. (''**EHSA**'') entered into a securityholders deed with the securityholders of EHSA on June 11, 2012 (the ''Deed''). The Deed was amended and restated on June 5, 2014 and further amended and restated on December 8, 2014 and on June 28, 2016.

The Deed sets out certain matters regulating the governance of EHSA, including the requirement for securityholder approval of certain matters such as alterations to authorized or issued share capital, material changes to the scope and nature of the business of the Group, certain disposals and acquisitions, public offerings, management incentivisation arrangements, arrangements in relation to capital expenditure/commitments or incurring liabilities in excess of certain thresholds, steps in relation to insolvency or related proceedings and certain other transactions.

The Deed provides for the delegation to the board of EHIL of the general management of the Group, with certain matters reserved to the EHSA board, including the appointment of our Chairman, Chief Executive Officer and Chief Financial Officer. The EHSA board has a minimum of seven directors, each of whom are appointed by the shareholders in general meetings from time to time. The EHSA board includes the Independent Chairman, Chief Executive Officer and Chief Financial Officer and the board shall always have a majority of Luxembourg resident directors. In addition, any shareholder who holds at least 28% of the Class A Shares in EHSA on an as-converted basis (a ''**Principal Shareholder**'') has the right to appoint up to two directors and each of the next three largest shareholders who hold at least 10% of the Class A Shares in EHSA on an as-converted basis (each, a ''**Qualifying Shareholder**'') has the right to appoint up to one director. If there is more than one Principal Shareholder, the number of Qualifying Shareholders shall decrease by one. If, however, there is no Principal Shareholder, the number of Qualifying Shareholders shall increase to four. These board appointment rights for the Principal Shareholder and the Qualifying Shareholders were introduced and/or amended as part of the June 28, 2016 amendments.

Administrative services agreement

We had entered into an administrative services agreement with eircom ESOP Trustee Limited (as trustee for the eir Employee Share Ownership Trust (''**ESOT**'') a former indirect shareholder of eircom Limited) and the eir Approved Profit Sharing Scheme (''**APSS**''). Our current and former employees and certain of our current and former subsidiaries were the beneficiaries of the ESOT and the APSS. Under the agreement, eir agreed to provide certain administrative services during the winding-up the ESOT and the APSS and relating to the distribution of the remaining assets to the beneficiaries following eir ESOT Trustee Limited's liquidation.

On July 11, 2013 the ESOP Trustee Limited (as trustee for the ESOT (a former indirect shareholder of eircom Limited (Ireland)) and the APSS, entered into a member's voluntary liquidation. The residual assets not yet claimed by beneficiaries have been transferred to eircom Limited, which will continue to administer the residual assets of the ESOT and the APSS in respect of untraced holders and unclaimed funds for a period of up to twelve years from the substantial winding-up of the trusts.

12. DESCRIPTION OF THE SENIOR SECURED NOTES DUE 2022

The following is a summary of the material provisions of the Notes which were issued pursuant to the Indenture (as defined below). It does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, the Indenture. Capitalised terms in this summary have the meanings given to them in the Indenture.

Overview

On June 17, 2016, eircom Finance DAC (the "Issuer") issued €500,000,000 aggregate principal amount of its 4.50% senior secured notes due 2022 (the "Notes") pursuant to an indenture (the "Indenture") dated June 17, 2016, among the Issuer, the guarantors named therein, Deutsche Trustee Company Limited as trustee, Wilmington Trust (London) Limited as security agent, Deutsche Bank AG, London Branch as principal paying Agent and Deutsche Bank Luxembourg S.A. as registrar and Transfer agent. The Notes will mature on May 31, 2022.

The Issuer is a special purpose vehicle established for the purpose of financing and re-financing of assets and was incorporated in Ireland as a private limited company on February 28, 2013, registered number 524458 and subsequently converted under the Companies Act 2014 to a Designated Activity Company. The registered office of the Issuer is 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland. The Issuer is a wholly owned subsidiary of eircom Limited (Jersey), which in turn is a wholly owned subsidiary of eircom Holdings (Ireland) Limited ("EHIL").

The net cash proceeds from the offering of the Notes were used, together with cash on the balance sheet, to redeem in full the Issuer's €350,000,000 9.25% senior secured notes due 2020, to repay €159.0 million of outstanding indebtedness under the Senior Facilities Agreement and to pay certain transaction fees and expenses.

Furthermore, on August 8, 2016, eircom Finance DAC issued a tap of €200,000,000 of aggregate principal amount of its existing 4.50% senior secured notes due 2022 at an offering price of 101.5%. The net cash proceeds from the offering of the Notes were used to repay €201 million of outstanding indebtedness under the Senior Facilities Agreement, and to pay certain transaction fees and expenses.

Certain Terms and Covenants of the Notes

The Notes bear interest at a rate of 4.50%. Interest on the Notes is payable semi-annually on May 31 and November 30, commencing on November 30, 2016.

The Indenture contains covenants that, among other things, limit our ability and that of our restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock, make certain other restricted payments or investments, enter into agreements that restrict dividends from restricted subsidiaries, sell assets, engage in transactions with affiliates, and effect a consolidation or merger. As of the date of this report, we are in compliance with the restrictive covenants contained in the Indenture.

The Notes are guaranteed on a senior secured basis by eircom Limited (Jersey), eircom Holdings (Ireland) Limited and by certain of its subsidiaries, all of which are guarantors of, or borrowers under, the Senior Facilities Agreement. The Notes and the guarantees are secured by security interests over the same assets that secure the Senior Facilities Agreement and certain hedging obligations, subject to certain excluded assets, agreed security principles and perfection requirements.

Prior to May 31, 2018, the Issuer may at its option to redeem all or a portion of the Notes by paying a "make whole" premium.

On or after May 31, 2018, the Issuer may exercise its option to redeem all or a portion of the Notes, at any time or from time to time, upon not less than 10 or more than 60 days' notice, at the redemption prices set forth in the terms of the Notes.

In addition, at any time prior to May 31, 2018, the Issuer may exercise its option redeem up to 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at the redemption price specified in the terms of the Notes, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption.

Further, the Notes may be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in applicable tax law.

Upon the occurrence of certain change of control events or asset sales, the Issuer may be required to offer to repurchase the Notes at 101% or 100% of the principal amount thereof, respectively, plus accrued and unpaid interest to the date of the repurchase. The occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if, at the time, certain financial conditions are met.

13. DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of the material provisions of certain financing arrangements to which EHIL and certain of its subsidiaries, including eircom Finance DAC (formerly eircom Finance Limited) (the "Issuer") are party. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents, including without limitation in the form in which they may be amended or amended and restated as described below. Capitalised terms used in this "*Description of Other Indebtedness*" section but not otherwise defined in this Annual Report have the same meaning given to them in the Indenture as defined above under the caption "*Description of the Senior Secured Notes Due 2022*". All references to the term "Group", when used in this "*Description of Other Indebtedness*" section, shall be construed as referring to EHIL and each of its subsidiaries' other than Tetra.

Senior Facilities Agreement

Overview

EHIL and certain of its subsidiaries (including eircom Finco s.à.r.l ("Finco") as an original borrower ("Original Borrower") are party to a facilities agreement dated the Restructuring Date (as defined therein, being June 11, 2012, the "Restructuring Date") as amended and restated on 22 January 2013, 14 March 2013 and 4 April 2014, as amended on 22 August 2014, as amended and restated on 11 June 2015, as amended on 16 July 2015 and as amended and restated on 16 June 2016, and on 11 August 2016 (the "Senior Facilities Agreement") with, among others, Wilmington Trust (London) Limited as agent (the "Agent") and as security agent (the "Security Agent") and the lenders thereunder.

The Senior Facilities Agreement originally provided for a €2,344.7 million senior secured term loan facility ("Facility B"). Finco was deemed to have utilised Facility B, in full, on the Restructuring Date. Facility B was subsequently reduced to €2,005 million, as at June 30, 2013, following the application of the proceeds of the issuance by the Issuer of €350.0 million aggregate principal amount of 9.25% Senior Secured Notes due 2020 (the "Existing Notes") on or about 20 May, 2013, to repay part of Facility B.

On April 4, 2014, EHIL effected an amendment and extension of the terms of the outstanding principal amount under its Facility B borrowings (the "2014 Amendment and Restatement"). In accordance with the terms of the 2014 Amendment and Restatement, approximately 94.7% of Facility B loans were re-designated as loans under a new Facility B2 ("Facility B2"), with a maturity date of September 30, 2019, which constituted an extension of the maturity date under Facility B by two years. The remaining Facility B loans which were not re-designated as loans under Facility B2, were re-designated as loans under a new Facility B1 ("Facility B1"). A number of other amendments to the Senior Facilities Agreement were implemented as part of the 2014 Amendment and Restatement including, but not limited to: (i) an extension of the interest, leverage, cash cover and capital expenditure financial covenants from 2017 to 2019; (ii) the amalgamation of the two capital expenditure covenants into one combined annual capital expenditure covenant (amended to allow for potential participation in the National Broadband Plan); (iii) an exception to the obligation to prepay outstanding loans under the Senior Facilities Agreement following a change of control in certain specified circumstances; (iv) the de-staple of the debt under the Senior Facilities Agreement and eircom Holdco S.A. ("Holdco") equity on the effective date of the 2014 Amendment and Restatement (such date, the "2014 Consent Date"); (v) the inclusion of a provision permitting certain dividend payments by EHIL following a Flotation (as defined below); and (v) increased flexibility in certain permitted baskets for investments in joint ventures and acquisitions.

On June 11, 2015, EHIL effected a further amendment and extension of the terms of the outstanding principal under its Facility B1 and Facility B2 borrowings (the "2015 Amendment and Restatement"). In accordance with the terms of the 2015 Amendment and Restatement, approximately 92.1% of Facility B1 and Facility B2 loans were re-designated as loans under a new Facility B3 ("Facility B3"), with a maturity date of May 31, 2022, which constituted an extension of the maturity date of Facility B2 loans of two years and eight months. In addition, as part of the 2015 Amendment and Restatement, certain financial institutions that were invited to provide new money commitments under Facility B3 became party to the Senior Facilities Agreement as lenders under Facility B3, with the proceeds of such new money commitments utilised by the Group to repay, in full, the remaining non-extending lenders in Facility B1 (with Facility B1 subsequently being cancelled in full) and to partially repay non-extending lenders in Facility B2. A number of other amendments to the Senior Facilities Agreement were implemented as part of the 2015 Amendment and Restatement including, but not limited to: (i) a resetting of the interest cover, leverage and capital expenditure financial covenants for the relevant periods expiring 30 September 2015 to 30 June 2019, together with an extension of all financial covenants for the relevant periods expiring 30 September 2019 to 31 March 2022; (ii) amendments to increase flexibility to use certain permitted bond refinancing debt to make acquisitions, to purchase assets or to repay in part or in full other outstanding notes previously issued as permitted bond refinancing debt in accordance with the terms of the Senior Facilities Agreement (iii) the resetting and extension of the duration of availability of certain "specified change of control events" to 24 months after the effective date of the 2015 Amendment and Restatement (such date, the "2015 Consent Date") and changes to the definition of "permitted transferee" in respect of such specified change of control events to include listed strategic investors focused on the European telecommunications sector (as further described below); (iv) amendments to the definition of "permitted acquisitions", including changes to pro-forma leverage tests and synergy calculations for the purposes of testing covenant compliance in respect of a permitted acquisition with a purchase price of greater than €150m; and (v) the introduction of a floor for LIBOR and EURIBOR of zero, to apply to all the term loan facilities, including Facility B2 and Facility B3.

On June 14, 2016, EHIL effected a further amendment to the terms of the Senior Facilities Agreement (the "June 2016 Amendment and Restatement"). In accordance with the terms of the June 2016 Amendment and Restatement, a €150,000,000 senior secured multicurrency revolving credit facility (the "Revolving Facility" and, together with Facility B4, the "Facilities") was introduced. The Revolving Facility ranks *pari passu* with Facility B2 and Facility B3. The original borrower under the Revolving Facility is Finco. Certain members of the Group may also accede as "additional borrowers" under the Revolving Facility, subject to meeting the relevant requirements set out under the Senior Facilities Agreement. The Revolving Facility may be utilised in euros or in any other readily available currency which is freely convertible into euros with the consent of the lenders under the Revolving Facility funding the relevant utilization. The Revolving Facility may be used for financing or refinancing the Group's working capital requirements and/or for general corporate purposes of the Group. The Revolving Facility may be utilised until the date falling one month prior to the "termination date" of the Revolving Facility (such termination being June 14, 2021). As at the date of this Annual Report, the Revolving Facility is fully available for utilization.

On June 17, 2016, the Issuer issued €500,000,000 in aggregate principal amount of new 4.50% Senior Secured Notes due 2022 (the "2022 Notes"), a portion of the proceeds of which, together with cash on balance sheet, were used to prepay and cancel, in full, the outstanding indebtedness under Facility B2, and to redeem the Existing Notes, in full (the "2022 Notes Refinancing").

On August 8, 2016, the Issuer issued a further €200,000,000 in aggregate principal amount, at an offering price of 101.5%, of new 4.50% Senior Secured Notes due 2022 (the "2022 Notes"), a portion of the proceeds of which, together with cash on balance sheet, were used to prepay, in part, €201,000,000 in outstanding indebtedness under Facility B3.

On August 11, 2016, EHIL effected a further amendment to the terms of the Senior Facilities Agreement (the "Additional 2016 Amendment and Restatement"). In accordance with the terms of the Additional 2016 Amendment and Restatement, 99.95% of Facility B3 loans were re-designated as Facility B4 loans (the "2016 B3-B4 Roll"), with a maturity date of May 31, 2022. A number of other amendments to the Senior Facilities Agreement were implemented as part of the Additional 2016 Amendment and Restatement including, but not limited to: (i) the removal of all financial covenants under the Senior Facilities Agreement, other than the leverage financial covenant, together with a covenant reset for the leverage financial covenant for the relevant periods expiring 30 September 2016 to 31 March 2022; (ii) amendments to include additional permissions to incur debt (including the making of loans) and guarantees, to make restricted payments and joint venture investments, to make asset disposals and to create security interests over the assets/property of the Group, respectively, to align the position with the 2022 Notes; (iii) amendments to the information undertakings of the Group to remove the obligation to provide an annual budget and monthly financial statements; (iv) amendments to the definition of "permitted acquisitions", including increasing the number of jurisdictions in which an acquisition can be made (to include Canada, the US and Switzerland), the removal of various "look-back" covenant compliance tests, the removal of the obligation to provide due diligence reports for certain acquisitions and the amendment of the "look-forward" pro-forma leverage financial covenant and the cost savings and synergy calculations for the purposes of testing covenant compliance in respect of a permitted acquisition; (v) the addition of the ability of the Group to cure a breach of the leverage financial covenant through the injection of shareholder loans; (vi) amendments to the guarantor coverage test, including to only require compliance on an annual basis; and vii technical amendments and other documentary changes to reflect comparable market standards.

On August 12, 2016, and following the consummation of the 2016 B3-B4 Roll, Finco voluntary prepaid the remaining outstanding indebtedness under Facility B3, and Facility B3 was subsequently cancelled (the "B3 Voluntary Prepayment").

As at the date of this Annual Report, the members of the Group which are guarantors of the Facilities comprise EHIL, Finco, eircom Limited (Ireland), eircom Limited (Jersey), Meteor Mobile Communications Limited ("MMCL"), Irish Telecommunications Investments DAC ("ITI"), Meteor Ireland Holdings LLC, Meteor Mobile Holdings Limited ("MMHL"), eircom (UK) Limited and the Issuer (together, the "Obligors" and each an "Obligor").

Interest and Fees

Facility B1 loans under the Senior Facilities Agreement incurred cash pay interest at rates *per annum* equal to LIBOR or, for loans denominated in euro, EURIBOR, plus certain mandatory costs, if any, plus a margin of 3.00% *per annum*. In addition to such cash pay interest, "payment-in-kind" interest at 1.00% *per annum* was accrued and capitalised on Facility B1. Following the 2015 Amendment and Restatement, all remaining Facility B1 loans were fully repaid.

Facility B2 and Facility B3 loans under the Senior Facilities Agreement bear cash pay interest at rates *per annum* equal to LIBOR or, for loans denominated in euro, EURIBOR, plus certain mandatory costs, if any, plus a margin of 4.50% *per annum*. Facility B3 loans were not subject to any "payment-in-kind" interest. The margin for Facility B3 was, following a flotation, subject to a ratchet based on certain leverage ratios. Following the 2015 Amendment and Restatement, a floor of zero for LIBOR and EURIBOR applied in respect of all Facility B2 loans (in addition to the Facility B3 loans). The remaining Facility B2 loans were repaid, in full, as part of the 2022 Notes Refinancing. Following the Additional 2016 Amendment and Restatement, the remaining Facility B3 loans were repaid in full as part of the B3 Voluntary Prepayment.

Facility B4 loans under the Senior Facilities Agreement bear cash pay interest at rates per annum equal to LIBOR, or for loans denominated in euro, EURIBOR, plus certain mandatory costs, if any, plus a margin of up to 4.50% *per annum.* Facility B4 loans are subject to a floor of zero for LIBOR and EURIBOR. Facility B4 loans are not subject to PIK interest. The margin for Facility B4 will, following a flotation, be subject to a ratchet based on certain leverage ratios.

Loans under the Revolving Facility will bear cash pay interest at rates per annum equal to LIBOR or, for loans denominated in euro, EURIBOR, plus a margin of 3.50% per annum, subject to a margin ratchet linked to total leverage levels.

Default interest on each of Facility B4 and the Revolving Facility will be calculated as an additional 1% on the overdue amount.

In respect of the Revolving Facility:

- a commitment fee is payable on the aggregate undrawn and uncancelled amount of the Revolving Facility from June 14, 2016 to the end of the availability period applicable to the Revolving Credit Facility at a rate of 35% of the applicable margin for the Revolving Facility. Such commitment fee is, generally, payable quarterly in arrears, on the last day of the availability period applicable to the Revolving Facility and, if cancelled in full, on the cancelled amount of the relevant Revolving Facility lender's commitment at the time the cancellation becomes effective; and

- a utilization fee is payable in respect of each outstanding loan under the Revolving Facility at a rate of (i) 0.50% per annum on the amount of each Revolving Facility lender's participation in each outstanding Revolving Facility loan on each day on when the applicable base currency amount of all outstanding Revolving Facility loans is greater than 66 2⁄3% of the total Revolving Facility commitments and (ii) 0.25% per annum on the amount of each Revolving Facility lender's participation in each outstanding Revolving Facility loan on each day on when the applicable base currency amount of all outstanding Revolving Facility loans is greater than 33 1⁄3% of the total Revolving Facility commitments but less than or equal to 66 2⁄3% of the total Revolving Facility commitments. Such utilization fee is, generally, payable quarterly in arrears, on the termination date for the Revolving Facility and, in respect of any Revolving Facility lender whose participation in all outstanding Revolving Facility loans is being repaid in full, on the day on which its participation in all outstanding Revolving Facility loans becomes repayable. No utilization fee is payable where the aggregate base currency amount of all outstanding Revolving Facility loans is less than 33 1⁄3% of the total Revolving Facility commitments.

Default interest on each of Facility B3 and the Revolving Facility will be calculated as an additional 1% on the overdue amount.

EHIL or Finco are also required to pay (or procure that another Obligor pays) customary agency fees (including legal fees) to the Agent and the Security Agent in connection with the Senior Facilities Agreement.

Repayments

As of the date of this Annual Report, Facility B1, Facility B2 and Facility B3, respectively, have been repaid and cancelled, in full.

Facility B4 must be repaid in full on May 31, 2022.

All outstanding amounts under the Revolving Facility are required to be repaid on the termination date for the Revolving Facility (i.e. June 14, 2021). Amounts repaid by the borrowers on loans made under the Revolving Facility may be reborrowed, subject to certain conditions being met.

Mandatory Prepayment

The Senior Facilities Agreement allows for voluntary prepayments and voluntary cancellation of the Facilities (subject to *de minimis* amounts).

The Senior Facilities Agreement also requires mandatory prepayment in full, or in part, of the Facilities in certain circumstances including:

- on a change of control, other than certain “specified change of control events” occurring on or prior to June 11, 2017 subject to, immediately after the occurrence of such specified change of control event, and after giving *pro forma* effect thereto, (x) there being no increase in the leverage ratio from the most recent testing date for the leverage ratio financial covenant under the Senior Facilities Agreement (see “—*Financial Covenants*” below) and (y) the ratio of consolidated total net debt to certain equity in eircom Holdco S.A. not being greater than certain prescribed ratios;

- (in respect of Facility B4 only) on a flotation;

- on the sale of all or substantially all of the assets of the Group (whether in a single transaction or a series of related transactions);

- a corporate reorganisation of the Group which results in the separation of the Group’s network assets from the rest of the Group;

- (in respect of Facility B4 only) from certain cash proceeds received by the Group from certain asset disposals, vendor claims and claims against report providers in respect of acquisitions permitted to be made by the Group and insurance claims, in each case, subject to certain exceptions;

- (in respect of Facility B4 only) following the earlier of (x) June 30, 2016, (y) the date on which the Group’s total net leverage ratio is equal to or less than 4.00:1, and (z) the date on which the Group has completed fibre optic network roll-out to 1 million properties or more (such event, the “Excess Cashflow Trigger Event”), from an amount equal to 50% of excess cashflow for the financial year in which the Excess Cashflow Trigger Event occurs and in each subsequent financial year, subject to a *de minimis* amount and the Group’s total net leverage ratio; and

- (in respect of Facility B4 only) from the proceeds of certain refinancing debt, on either a *pari passu* or junior basis to the Facilities, unless the Group makes an election to otherwise use such debt to fund debt purchases of the outstanding loans under the Facilities, to finance or refinance certain acquisitions permitted under the Senior Facilities Agreement or to refinance any notes refinancing debt previously issued.

The Senior Facilities Agreement also contains customary provisions:

- requiring mandatory prepayment where it becomes unlawful for a lender to perform any of its obligations contemplated by the Senior Facilities Agreement or to fund, issue or maintain its participation in Facility B4 and/or the Revolving Facility;

- allowing for cancellation of the commitment of a single lender, and prepayment of that lender's participation in Facility B4 and/or the Revolving Facility (as determined by EHIL in accordance with the terms of the Senior Facilities Agreement), in certain circumstances where the relevant borrower is required to pay additional amounts under the tax gross-up provisions of the Senior Facilities Agreement, or where a lender claims indemnification from an Obligor under the tax indemnity or increased costs provisions of the Senior Facilities Agreement; and

- allowing for cancellation of the available commitments of a defaulting lender.

Guarantees

Each of the Obligors currently provide a senior guarantee of all amounts payable to the finance parties under the finance documents relating to the Senior Facilities Agreement.

Recourse against EHIL under its guarantee is limited to the proceeds of enforcement of Transaction Security (as defined under the caption "*—Intercreditor Agreement*" below).

The Senior Facilities Agreement requires that, on an annual basis (commencing with the financial year ending 30 June 2017), each subsidiary of EHIL that is or becomes a material company (which includes, among other things, an Obligor, a wholly-owned member of the Group that holds shares in an Obligor and any member of the Group that has earnings before interest, tax, depreciation and amortization (excluding goodwill, intra-Group items and investments in subsidiaries) representing 5% or more of consolidated earnings before interest, tax, depreciation and amortization of the Group or gross assets (excluding goodwill, intra-Group items and investments in subsidiaries) representing 5% or more of the gross assets of the Group), respectively, is required to become a guarantor under the Senior Facilities Agreement.

Furthermore, EHIL must ensure that, on an annual basis (commencing with the financial year ending 30 June 2017), the aggregate consolidated earnings before interest, tax, depreciation and amortization and consolidated gross assets (in each of the foregoing cases, excluding goodwill, intra-Group items and investments in subsidiaries) of the guarantors under the Senior Facilities Agreement, respectively, represents not less than 80% of each of the consolidated earnings before interest, tax, depreciation and amortization and consolidated gross assets (excluding goodwill) of the Group (as applicable).

Security

Each of Holdco, EHIL, Finco, Meteor Ireland Holdings LLC, eircom Limited (Ireland), eircom Limited (Jersey), MMC, MMHL, ITI and eircom (UK) Limited and the Issuer has granted, in favour of the Security Agent, liens and security interests on a first-priority basis, subject to the operation of certain agreed security principles, certain perfection requirements certain excluded assets and certain permitted security interests under the Senior Facilities Agreement, over certain of its assets as described below:

- in the case of the Issuer, EHIL and Meteor Ireland Holdings LLC, over all or substantially all of their assets;

- in the case of Holdco, over the shares in EHIL and related rights;

- in the case of Finco, over certain of its bank accounts and its rights in certain intercompany loan agreements with other Group companies;

- in the case of MMHL, over substantially all of its assets other than: (i) bank accounts opened as a result of any escrow arrangements or security deposits put in place by it prior to May 24, 2016 and (ii) any licenses granted to Meteor Mobile Holdings Limited by the Commission for Communications Regulation;

- in the case of eircom (UK) Limited, over substantially all of its assets other than: (i) certain leasehold properties located in Northern Ireland and England; (ii) a general authorization to provide telecommunications services in the United Kingdom and related rights of use for numbers; and (iii) eircom (UK) Limited's interests in certain agreements with third parties relating to procurement of telecommunications and network services;

- in the case of eircom Limited (Ireland), over substantially all of its assets other than: (i) shares held by eircom Limited (Ireland) in certain of its subsidiaries; (ii) certain licences granted to eircom Limited (Ireland) by the Commission for Communications Regulation; and (iii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date;

- in the case of eircom Limited (Jersey), over substantially all of its assets other than bank accounts opened as a result of any escrow arrangements or security deposits put in place by it prior to December 17, 2014;

- in the case of MMC, over substantially all of its assets other than: (i) certain trademark applications made in respect of the "MOSAIC" name; (ii) certain licences granted to MMC by the Commission for Communications Regulation; and (iii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date; and

- in the case of ITI, over substantially all of its assets other than: (i) certain licences granted to ITI by the Commission for Communications Regulation; and (ii) bank accounts opened as a result of escrow arrangements or security deposits which were put in place prior to the Restructuring Date.

The Senior Facilities Agreement also requires each Material Company or any other member of the Group which becomes a guarantor of the facilities, subject to certain agreed security principles and upon the request of the Agent, to grant security over its assets as the Agent may reasonably require.

Representations and Warranties

The Senior Facilities Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties required to be repeated on certain dates), including:

- corporate representations including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, validity and admissibility in evidence and authorizations;

- recognition of choice of law and judgments obtained, tax filings and deductions, payment of taxes, stamp duty and no adverse consequences;

- no insolvency, no litigation, no breach of laws, environmental compliance and no environmental claims;

- no default and no misleading information;

- no security or financial indebtedness except as permitted under the Senior Facilities Agreement;

- shares subject to transaction security for Facility B4 and the Revolving Facility are fully paid and able to be charged;

- ownership, use and no infringement of intellectual property rights;

- accuracy of Group structure chart;

- Material Companies will be Obligors and guarantor coverage;
- accounting reference date and the financial statements of EHIL fairly represent the consolidated financial condition of the Group and were prepared in in accordance with accounting principles consistently applied;
- acquisition and equity documents contain all material terms;
- no trading activities of holding and dormant companies;
- center of main interests and no English establishments;
- no unlawful financial assistance or unlawful assistance to directors;
- competition and merger and regulatory compliance;
- adequate funding of all pension schemes of the Group as required by law; and
- no license, qualifications or other entitlement of the creditors being required in order to fund in the relevant jurisdictions.

Covenants

The Senior Facilities Agreement contains customary operating and financial covenants (see "—*Financial Covenants*" below), subject to certain exceptions and qualifications, including covenants restricting the ability of certain members of the Group to:

- make acquisitions or investments, including entering into joint ventures or incorporating any company;
- make loans or grant guarantees;
- incur indebtedness (other than certain permitted indebtedness including capital leases, finance leases and certain refinancing debt) or enter into certain derivatives contracts;
- create security over assets;
- dispose of assets;
- merge with other companies;
- enter into transactions other than on arm's length terms and for full market value;
- issue shares;
- pay dividends and make certain other restricted payments to Holdco and any Holding Company of EHIL;
- make payments on or purchase, redeem, defease or discharge certain structural intra-group loans including loans made by EHIL to any member of the Group, unless permitted under the Senior Facilities Agreement or the Intercreditor Agreement;
- make a substantial change to the nature of the business of EHIL, the Obligors or the Group taken as a whole and, in the case of EHIL and Finco, act other than as a holding company;
- allow any dormant company to commence trading;
- make amendments to the constitutional documents of EHIL;

- establish or participate in any defined benefit pension scheme; and
- enter into any debt purchase transaction in respect of commitments under the Senior Facilities Agreement other than in accordance with the procedures set out in the Senior Facilities Agreement.

The Senior Facilities Agreement also requires certain members of the Group to observe certain affirmative covenants, including covenants relating to:

- maintenance of relevant authorizations;
- compliance with laws, including environmental laws and laws relating to financial assistance and notification of environmental claims;
- payment of taxes;
- maintenance of assets;
- maintenance of *pari passu* ranking;
- maintenance of insurance;
- compliance with obligations relating to pension schemes;
- provision of financial and other information and (in certain circumstances) granting access to premises, assets, books and records to, and arranging meetings with senior management for, the Agent or Security Agent;
- maintenance of intellectual property;
- compliance with interest rate hedging requirements required by the "Hedging Letter" (as defined in and) entered into in connection with the Senior Facilities Agreement;
- obtaining and maintaining a credit rating from at least two credit rating agencies; and
- maintenance of guarantor coverage and further assurances.

It is intended that certain agreed covenants and other provisions of the Senior Facilities Agreement will fall away on the satisfaction of certain release conditions, being (i) the occurrence of a flotation in respect of which the Group's total leverage is equal to or less than 3.75:100 or (ii) any member of the Group or any holding company of EHIL having a long-term corporate credit rating equal to or better than Baa3 according to Moody's Investor Services Limited or BBB- according to Standard and Poor's Ratings Services.

Financial Covenants

The Senior Facilities Agreement requires the Group to comply a leverage ratio (the ratio of consolidated total net debt to consolidated earnings before interest, tax, depreciation and amortization); and

Events of Default

The Senior Facilities Agreement contains events of default, the occurrence of which would allow the Agent, if directed by the requisite majority of lenders, to, amongst other actions, accelerate all or part of the outstanding loans and terminate all commitments, including, among other events (subject in certain cases to agreed grace periods, financial thresholds, a clean-up period in respect of acquisitions permitted under the Senior Facilities Agreement and other qualifications):

- failure to pay amounts when due under the finance documents entered into in connection with the Senior Facilities Agreement;
- breach of any financial covenant or failure to comply with any other obligation under the Senior Facilities Agreement or any finance document entered into in connection with the Senior Facilities Agreement;
- inaccuracy of a representation or statement when made;
- cross defaults;
- insolvency, insolvency proceedings and commencement of certain creditors' processes, such as expropriation, attachment, sequestration, distress or execution;
- unlawfulness, repudiation, invalidity or unenforceability of the finance documents entered into in connection with the Senior Facilities Agreement and repudiation of certain restructuring documents;
- breach of a material provision of the Intercreditor Agreement by any party to it (other than a finance party) or any representation or warranty given in the Intercreditor Agreement being incorrect in any material respect;
- cessation of business by the Group (taken as whole);
- termination, rescission, repudiation, cessation, revocation or supersession of any material licence, including any material telecommunications licence;
- audit qualification of the annual financial statements of EHIL;
- curtailment of the ability of any Material Company to conduct its business by any seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any government, regulatory or other authority or other person;
- repudiation or rescission by an Obligor of any finance document entered into in connection, among other things, the Senior Facilities Agreement; and
- litigation or other proceedings which are likely to have a material adverse effect on the Group or any material adverse change.

Governing law

The Senior Facilities Agreement is governed by English law.

Interest Rate Swaps and Certain Other Hedging Arrangements

We are exposed to market risks as a result of changes in interest rates. Financial liabilities issued at floating rates, such as those under our Senior Facilities Agreement, expose us to cash-flow interest rate risk, while fixed rate financial liabilities expose us to fair value interest rate risk.

Senior Facilities Agreement

In accordance with the terms of the Senior Facilities Agreement, the Hedging Letter (as defined in the Senior Facilities Agreement) was agreed between EHIL and the Agent. The Hedging Letter required that the Group hedged its exposure to interest rate risk of not less than 50% of its consolidated total net debt as defined under the Senior Facilities Agreement, for a period of at least 3 years from June 11, 2012. The required hedging period thereby expired on June 11, 2015.

The Senior Facilities Agreement prohibits any member of the Group from entering into any derivative transaction which is entered into in connection with protection against or benefit from fluctuation in any rate or price (a "Treasury Transaction") except for (i) hedging transactions for the purpose of hedging interest rate risks in relation to Facility B4 (and certain other arrangements replacing or extending any such hedging transactions), (ii) hedging interest rate liabilities and/or any exchange rate exposures in relation to Facility B4 and/or the Revolving Facility and/or "Permitted Financial Indebtedness" (as defined in the Senior Facilities Agreement) (iii) spot, forward delivery and option foreign exchange contract entered into in the ordinary course of business and not for speculative purposes and (iv) Treasury Transactions entered into for the hedging of actual or projected real exposures arising in the ordinary course of business and not for speculative purposes.

Interest Rate Swaps

We manage our net exposure to interest rate risk through the proportion of fixed rate financial debt and variable rate financial debt in our total financial debt portfolio. To manage this mix, on December 7, 2012, we entered into interest rate swap agreements with a nominal amount of €1.2 billion, with agreed-upon interest rate payments made on a quarterly basis. These interest rate swap agreements terminated on June 11, 2015.

On November 24, 2014, the Group entered into two forward starting interest rate swaps with a total notional principal amount of €1.2 billion for a period of three years from June 11, 2015. Whilst Facility B4 contains a EURIBOR floor of 0.0 per cent., there is no corresponding floor in respect of the foregoing forward starting interest rate swaps.Therefore the swaps do not meet the requirements for hedge accounting.

Existing Facilities

As of June 30, 2016 we had short term liabilities outstanding under guarantee facilities from Allied Irish Banks in the amount of €5 million. These guarantee facilities relate to certain of our contingent liabilities including in respect of: guarantees in favour of the Revenue Commissioners for payment of VAT; guarantees for sports content payments; bonds in favour of County Councils and Local Authorities; letters of credit in respect of certain insurances; and performance bonds in favour of OfCom.

In addition, as of June 30, 2016 we had contingent liabilities to ComReg in relation to our 3G Licence and in respect of a performance improvement program in respect of which we had provided in aggregate cash deposits of €4 million as collateral. Neither the guarantee facilities nor the contingent liabilities to ComReg are classified as indebtedness for IFRS purposes and neither is included as a liability on our balance sheet.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, each of EHIL, Finco, eircom Limited (Ireland), MMC, ITI, MMHL, Meteor Ireland Holdings LLC, eircom (UK) Limited and the Issuer (together, the "Debtors") are party to an intercreditor agreement dated as of the Restructuring Date, with, among others, the Security Agent, the Lenders and the Agent, as amended on June 11, 2015, and on June 14, 2016 (the "Intercreditor Agreement"). On June 17, 2016, the Trustee acceded to the Intercreditor Agreement. The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of the Intercreditor Agreement.

Capitalized terms set forth and used in this "*Intercreditor Agreement*" section and not otherwise defined have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Annual Report.

Definitions

The following defined terms are used in this summary of the Intercreditor Agreement:

"Acceleration Event" means the exercise of acceleration rights under the Senior Facilities Agreement or the exercise of acceleration rights or any acceleration rights being automatically invoked under any Senior Secured Notes Indenture.

"Borrowing Liabilities" means, in relation to a member of the Group, the liabilities (not being Guarantee Liabilities) it may have as a principal debtor to a Creditor, Holdco or a Debtor in respect of Financial Indebtedness arising under the Debt Documents (whether incurred solely or jointly).

"Creditor Representative" means:

(a) in relation to the Lenders, the Agent; and

(b) in relation to the Senior Secured Noteholders, any Senior Secured Notes Trustee.

"Creditors" means the Lenders, the Senior Secured Notes Creditors, the Hedge Counterparties, the Intra-Group Lenders and EHIL.

"Debt Document" means each of the Intercreditor Agreement, the Hedging Agreements, the Senior Finance Documents, the Senior Secured Notes Documents, the Security Documents, any agreement evidencing the terms of the Structural Intra-Group Loans, the EHIL Liabilities, the Intra-Group Liabilities or the Holdco Liabilities and any other document designated as such by the Security Agent and EHIL.

"Debtor Liabilities" means, in relation to a member of the Group, any liabilities owed to any Debtor (whether actual or contingent and whether incurred solely or jointly) by that member of the Group.

"EHIL Liabilities" means all Liabilities owed by any Debtor to EHIL under any relevant Structural Intra-Group Loan.

"Guarantee Liabilities" means, in relation to a member of the Group, the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have to a Creditor, Holdco or a Debtor as or as a result of its being a guarantor or surety.

"Hedge Counterparty" means any person which becomes party to the Intercreditor Agreement as a Hedge Counterparty pursuant the Intercreditor Agreement which is or has become party to the Senior Facilities Agreement as a Hedge Counterparty.

"Hedge Counterparty Obligations" means the obligations owed by any Hedge Counterparty to the Debtors under or in connection with the Hedging Agreements.

"Hedging Agreement" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by an Obligor and a Hedge Counterparty for the purpose of hedging interest rate risks in relation to the Facilities.

"Hedging Liabilities" means the Liabilities owed by any Debtor to the Hedge Counterparties under or in connection with the Hedging Agreements.

"Holdco Liabilities" means any Liabilities owed to Holdco by any member of the Group.

"Instructing Group" means at any time:

(a) prior to the Senior Discharge Date, the Majority Senior Creditors and the Majority Senior Secured Notes Creditors (in each case, acting through their respective Creditor Representatives) provided that in relation to any instructions given with respect to:

(i) the enforcement of the Transaction Security;

(ii) the requesting of a Distressed Disposal and/or the release of claims and/or Transaction Security on a Distressed Disposal;

(iii) the giving of instructions as to actions in respect of any Transaction Security in connection with the enforcement of that Transaction Security; and

(iv) the taking of any other actions consequential on (or necessary to effect) the enforcement of the Transaction Security,

or if, at that time, the Security Agent is obliged to give effect to instructions from the Instructing Group as to the manner of enforcement of the Transaction Security, if the Senior Secured Notes Liabilities represent less than 30%. of the aggregate of the Senior Secured Notes Liabilities and the Senior Liabilities, the Creditor Representative acting on behalf of the Senior Secured Notes Creditors shall not canvass the Senior Secured Notes Creditors for their vote on such actions and the Senior Secured Notes Creditors shall be deemed to have voted their share in the same manner and in the same proportion as the Senior Creditors; and

(b) on or after the Senior Discharge Date, the Majority Senior Secured Notes Creditors.

"Intra-Group Lenders" means each member of the Group (other than EHIL) which has made a loan available to, granted credit to or made any other financial arrangement having similar effect with another member of the Group and which is or becomes a party to the Intercreditor Agreement as an Intra-Group Lender in accordance with the terms of the Intercreditor Agreement.

"Intra-Group Liabilities" means the Liabilities owed by any member of the Group to any of the Intra-Group Lenders (other than the EHIL Liabilities).

"Liabilities" means all present and future liabilities and obligations at any time of any member of the Group to any Creditor or to Holdco under the Debt Documents, both actual and contingent and whether incurred solely or jointly or in any other capacity together with any related Additional Liabilities.

"Majority Lenders" means a Lender or Lenders whose Commitments under the Senior Facilities Agreement aggregate more than $66^2/_3$%. of the Total Commitments under the Senior Facilities Agreement (or, if the Total Commitments have been reduced to zero, aggregated more than $66^2/_3$%. of the Total Commitments immediately prior to that reduction). For the purposes of this definition "Commitments" and "Total Commitments" have the meanings given in the Senior Facilities Agreement.

"Majority Senior Creditors" means, at any time, those Senior Creditors whose Senior Credit Participations at that time aggregate more than 66.67%. of the total Senior Credit Participations at that time.

"Majority Senior Lenders" means the Majority Lenders after the application of certain snooze and lose and defaulting lender adjustments which are applied to lender voting under the Senior Facilities Agreement.

"Majority Senior Secured Notes Creditors" means, at any time, those Senior Secured Notes Creditors whose Senior Secured Notes Credit Participations at that time aggregate more than 50%. of the total Senior Secured Notes Credit Participations at that time.

"Other Liabilities" means, in relation to a member of the Group, any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to Holdco, an Intra-Group Lender or a Debtor.

"Primary Creditors" means the Senior Creditors and the Senior Secured Notes Creditors.

"Secured Parties" means the Security Agent, any Receiver or Delegate and each of the Primary Creditors from time to time but, in the case of each Primary Creditor, only if it is a party to the Intercreditor Agreement or is required to and has acceded to the Intercreditor Agreement, in the appropriate capacity.

"Senior Creditors" means the Lenders and the Hedge Counterparties.

"Senior Lender Liabilities" means the Liabilities owed by the Debtors to the Lenders under the Finance Documents (as defined in the Senior Facilities Agreement).

"Senior Liabilities" means the Senior Lender Liabilities and the Hedging Liabilities.

"Senior Secured Noteholders" means the registered holders, lenders or other creditors from time to time, of the Senior Secured Notes, as determined in accordance with the relevant Senior Secured Notes Indenture provided that any Senior Secured Noteholder which is the holder, lender or creditor in respect of any Senior Secured Notes (other than by way of capital markets instruments in respect of which a Senior Secured Notes Trustee is or becomes party to the Intercreditor Agreement) accedes to the Intercreditor Agreement and will include the holders of the Notes.

"Senior Secured Notes" means any issue by EHIL, Finco or other Obligor (as defined in the Senior Facilities Agreement) of notes, debt securities or other debt instrument or the incurrence of financial indebtedness under any credit agreements, loans or trust deeds for the purpose of refinancing and discharging all or part of the indebtedness under the Senior Facilities Agreement in accordance with the terms of the Senior Facilities Agreement or effecting a Debt Purchase Transaction as permitted under the Senior Facilities Agreement or for any other purpose(s) permitted or not prohibited by the terms of the Senior Facilities Agreement, together with any Additional Liabilities.

"Senior Secured Notes Creditors" means the Senior Secured Noteholders and each Senior Secured Notes Trustee.

"Senior Secured Notes Liabilities" means the Liabilities owed by the Company and the Debtors to the Senior Secured Notes Creditors under the Senior Secured Notes Documents, together with any related Additional Liabilities (but excluding any Hedging Liabilities).

"Senior Secured Notes Trustee" means any agent or trustee acting on behalf of any Senior Secured Noteholders in respect of any Senior Secured Notes Liabilities, provided that any such person is or becomes party to the Intercreditor Agreement.

"Structural Intra-Group Liabilities" means Liabilities (other than EHIL Liabilities) arising under or in connection with the Structural Intra-Group Loans.

"Structural Intra-Group Loans" means a loan by EHIL to any member of the Group and any other loans made by one member of the Group to another member of the Group as specified in the structure memorandum for the Examinership.

"Transaction Security" means any security granted in favor of the Security Agent under any document entered into by an Obligor creating (or expressed to create) any security over all or part of its assets in respect of the obligations of the Obligors under the finance documents entered into in connection with the Senior Facilities Agreement.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the Liabilities owed by the Debtors to the Primary Creditors in relation to the Facilities, certain hedging obligations, and any Senior Secured Notes, which includes the Notes, shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking Liabilities as follows:

- first, the Hedging Liabilities; and

- second, the Senior Lender Liabilities, the Revolving Facility and the Senior Secured Notes Liabilities *pari passu* between themselves and without any preference between them.

Priority of Security

The Transaction Security shall secure the relevant Liabilities (but only to the extent that such security is expressed to secure the relevant Liabilities) in the following order:

- first, the Hedging Liabilities; and
- second, the Senior Lender Liabilities, the Revolving Facility and the Senior Secured Notes Liabilities *pari passu* between themselves and without any preference between them.

Holdco, Intra-Group and EHIL Liabilities

The Intercreditor Agreement provides that the Intra-Group Liabilities, the Holdco Liabilities and the EHIL Liabilities are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Creditors.

Restrictions Relating to Senior Lender Liabilities and Senior Secured Notes Liabilities

The Debtors may make payments of the Senior Lender Liabilities at any time in accordance with the Senior Finance Documents.

The Debtors may make payments of the Senior Secured Notes Liabilities at any time in accordance with the Senior Secured Notes Documents.

Security and Guarantees: Lenders and Senior Secured Notes Creditors

The Lenders and the Senior Secured Notes Creditors may take, accept or receive the benefit of:

- any security in respect of the Senior Lender Liabilities or Senior Secured Notes Liabilities in addition to the shared security if and to the extent legally possible and subject to certain agreed security principles, at the same time it is also offered either:
    - to the Security Agent as trustee for the other Secured Parties in respect of their Liabilities; or
    - in the case of any jurisdiction in which effective security cannot be granted in favor of the Security Agent as trustee for the Secured Parties:
        - to the other Secured Parties in respect of their Liabilities; or
        - to the Security Agent under a parallel debt structure for the benefit of the other Secured Parties,

        and ranks in the same order of priority as that set out under the caption "—*Ranking and Priority—Priority of Security*";
- any guarantee, indemnity or other assurance against loss in respect of the Senior Lender Liabilities or Senior Secured Notes Liabilities in addition to those in:
    - the original form of Senior Facilities Agreement or Senior Secured Notes Documents;
    - the Intercreditor Agreement; or
    - any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the Secured Parties in respect of their Liabilities,

if and to the extent legally possible and subject to certain agreed security principles, at the same time it is also offered to the other Secured Parties in respect of their Liabilities and ranks in the same order of priority as that set out under the caption "*—Ranking and Priority—Priority of Security*".

In addition the Lenders may take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss not otherwise permitted if the Majority Senior Secured Notes Creditors give their consent and the Senior Secured Notes Creditors may take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss not otherwise permitted if the Majority Senior Lenders give their consent.

Restrictions Relating to Hedge Counterparties

No member of the Group is permitted to make any Payment of any Hedging Liabilities at any time unless the Payment is a Permitted Hedging Payment (as defined below) or receipt of the Payment is permitted after an Insolvency Event in the circumstances set out under the caption "*—Permitted Hedge Counterparty Enforcement after Insolvency Event*" below.

The term "Permitted Hedging Payment" refers to any Payment to any Hedge Counterparty in respect of the Hedging Liabilities which is then due to that Hedge Counterparty under any Hedging Agreement in accordance with the terms of that Hedging Agreement:

(i) if the Payment is a scheduled Payment arising under the relevant Hedging Agreement;

(ii) to the extent that the relevant Debtor's obligation to make the Payment arises as a result of the operation of:

(A) any of sections 2(d) (Deduction or Withholding for Tax), 2(e) (Default Interest; Other Amounts), 8(a) (Payment in the Contractual Currency), 8(b) (Judgments) and 11 (Expenses) of the 1992 ISDA Master Agreement (if the Hedging Agreement is based on a 1992 ISDA Master Agreement);

(B) any of sections 2(d) (Deduction or Withholding for Tax), 8(a) (Payment in the Contractual Currency), 8(b) (Judgments), 9(h)(i) (Prior to Early Termination) and 11 (Expenses) of the 2002 ISDA Master Agreement (if the Hedging Agreement is based on a 2002 ISDA Master Agreement); or

(C) any provision of a Hedging Agreement which is similar in meaning and effect to any provision listed in paragraphs (A) or (B) above (if the Hedging Agreement is not based on an ISDA Master Agreement);

(iii) to the extent that the relevant Debtor's obligation to make the Payment arises from a Non Credit Related Close Out;

(iv) to the extent that:

(A) the relevant Debtor's obligation to make the Payment arises from a Credit Related Close Out in relation to that Hedging Agreement; and

(B) no Event of Default under the Senior Facilities Agreement or any Senior Secured Notes Indenture is continuing at the time of that Payment; or

(v) if the Instructing Group gives prior consent to the Payment being made,

provided that a Payment made to a Hedge Counterparty will not be a Permitted Hedging Payment if any scheduled Payment due from that Hedge Counterparty to a Debtor under a Hedging Agreement to which they are both party is due and unpaid.

Failure by a Debtor to make a Payment to a Hedge Counterparty which results solely from the restriction on the Debtor making that Payment where there is a scheduled payment due from a Hedge Counterparty, as described above, shall not result in a default in respect of that Debtor under that Hedging Agreement.

Amendments and waivers of Hedging Agreements

The Hedge Counterparties are not permitted to amend or waive any term of the Hedging Agreements unless the amendment or waiver does not breach any term of the Intercreditor Agreement or any Senior Finance Document or Senior Secured Notes Document.

Security and Guarantees: Hedge Counterparties

The Hedge Counterparties may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss from any member of the Group in respect of the Hedging Liabilities other than:

- the shared security;
- any guarantee, indemnity or other assurance against loss contained in:
    - the original form of Senior Facilities Agreement;
    - the Intercreditor Agreement;
    - any guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to all the Secured Parties in respect of their Liabilities; or
    - the relevant Hedging Agreement as long as it is no greater in extent than any of those referred to in the three points above;
- in the circumstances in which the Lenders receive additional security, guarantees, indemnities or other assurances as set out above under the caption "*—Security and Guarantees: Lenders and Senior Secured Notes Creditors*"; and
- the indemnities contained in the ISDA Master Agreements (in the case of a Hedging Agreement which is based on an ISDA Master Agreement) or any indemnities which are similar in meaning and effect to those indemnities (in the case of a Hedging Agreement which is not based on an ISDA Master Agreement).

Restriction on Enforcement—Hedge Counterparties

Other than as described below in the sections titled "*—Permitted Hedge Counterparty Enforcement*", "*—Permitted Hedge Counterparty Enforcement after Insolvency Event*" and "*—Required Hedge Counterparty Enforcement*", Hedge Counterparties are not permitted to take any Enforcement Action in respect of the Hedging Liabilities or any hedging transactions under the Hedging Agreements.

Permitted Hedge Counterparty Enforcement

In certain circumstances a Hedge Counterparty is entitled to terminate or close out a hedging transaction prior to its stated maturity.

If a Debtor has defaulted on a Payment due under a Hedging Agreement and the default has continued for more than 15 Business Days after notice of the default has been given to the Security Agent, the Hedge Counterparty may terminate or close out in whole or in part any hedging transaction under that Hedging Agreement and until such time as the Security Agent has given notice to that Hedge Counterparty that the Transaction Security is being enforced (or that any formal steps are being taken to enforce the Transaction Security), a Hedge Counterparty may exercise any right it might otherwise have to sue for, commence or join legal or arbitration proceedings against any Debtor to recover any Hedging Liabilities due under that Hedging Agreement.

Permitted Hedge Counterparty Enforcement after Insolvency Event

After the occurrence of an Insolvency Event in relation to any member of the Group, each Hedge Counterparty shall be entitled to exercise any right it may otherwise have in respect of that member of the Group to:

- prematurely close out or terminate any Hedging Liabilities of that member of the Group;
- make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Hedging Liabilities;
- exercise any right of set off or take or receive any Payment in respect of any Hedging Liabilities of that member of the Group; or
- claim and prove in the liquidation of that member of the Group for the Hedging Liabilities owing to it.

Required Hedge Counterparty Enforcement

Hedge Counterparties are required (subject to limited exceptions) to terminate or close out in full any hedging transaction upon the instruction of the Security Agent (acting on the instructions of the Instructing Group) following an exercise by the Agent of acceleration rights under the Senior Facilities Agreement.

If a Hedge Counterparty is entitled to terminate or close out any hedging transaction due to a payment default as described above, but the Hedge Counterparty has not terminated or closed out the hedging transaction, the Hedge Counterparty is required to terminate or close out in the transaction upon the request of the Security Agent (acting on the instructions of the Instructing Group).

Terms of Hedging Agreements and amounts hedged

The Intercreditor Agreement contains requirements for the terms of the Hedging Agreements, including that such agreements must be in the form of an ISDA Master Agreement or similar framework agreement and must permit the parties to take such action as may be required to ensure that the aggregate of the notional amounts hedged by the Debtors in any interest rate hedge transactions under the Hedging Agreements (the "Hedged Amounts"), does not exceed the amount of principal outstanding under the Facilities (the "Permitted Maximum Interest Rate Hedged Amount"). If the Hedged Amounts exceed the Permitted Maximum Interest Rate Hedged Amount at any time, the Debtors are required to terminate or close out hedge transactions so as to bring the Hedged Amounts back below the Permitted Maximum Interest Rate Hedged Amount threshold.

Payments due from Hedge Counterparties following termination

If, on termination of any hedging transaction under any Hedging Agreement occurring after an Acceleration Event or enforcement of any Transaction Security, a settlement amount or other amount (following the application of any Close Out Netting, Payment Netting or Inter-Hedging Agreement Netting in respect of that Hedging Agreement) falls due from a Hedge Counterparty to the relevant Debtor then that amount shall be paid by that Hedge Counterparty to the Security Agent, treated as the proceeds of enforcement of the Transaction Security and applied in accordance with the terms of the Intercreditor Agreement.

Restrictions on Intra-Group Liabilities

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, members of the Group may only pay any Intra-Group Liabilities:

(a) when due and provided that in the case of any Structural Intra-Group Loan the Payment is a Permitted Payment under the Senior Facilities Agreement and is expressly permitted by the Senior Secured Notes Documents and in the case of any other Intra-Group Liability that no Acceleration Event has occurred, or an Acceleration Event has occurred and:

- prior to the Senior Discharge Date, the Instructing Group consent to that Payment being made;

- on or after the Senior Discharge Date, the Majority Senior Secured Notes Creditors consent to that Payment being made; or

- the Payment is made to facilitate Payment of the Senior Liabilities or Senior Secured Notes Liabilities; or

(b) receipt of the Payment is permitted in the circumstances set out under "*—Permitted Intra-Group Enforcement*" below.

Restrictions on Security for Intra-Group Lenders

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, the Intra-Group Lenders may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss in respect of the Intra-Group Liabilities unless:

- that security, guarantee, indemnity or other assurance against loss is expressly permitted under the terms of the Senior Facilities Agreement and the Senior Secured Notes Documents; or

- prior to the Senior Discharge Date, the prior consent of the Instructing Group is obtained, or on or after the Senior Discharge Date, the prior consent of the Majority Senior Secured Notes Creditors is obtained.

Restriction on Intra-Group Enforcement

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, the Intra-Group Lenders may not take any enforcement action other than in the circumstances described under "*—Permitted Intra-Group Enforcement*" below.

Permitted Intra-Group Enforcement

After the occurrence of an Insolvency Event in relation to any member of the Group, each Intra-Group Lender may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra-Group Lender), exercise any right it may otherwise have against that member of the Group to:

- accelerate any of that member of the Group's Intra-Group Liabilities or declare them prematurely due and payable or payable on demand;

- make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra-Group Liabilities;

- exercise any right of set off or take or receive any Payment in respect of any Intra-Group Liabilities of that member of the Group; or

- claim and prove in the liquidation of that member of the Group for the Intra-Group Liabilities owing to it.

Restrictions on EHIL Liabilities and Holdco Liabilities

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, members of the Group may only pay any EHIL Liabilities or Holdco Liabilities:

(a) when due and provided that either the Payment is expressly permitted by the Senior Facilities Agreement and the Senior Secured Notes Documents or the Instructing Group or, after the Senior Discharge Date the Majority Senior Secured Notes Creditors, consent to that Payment being made; or

(b) where the receipt of the Payment is permitted in the circumstances described in "*—Permitted EHIL and Holdco Enforcement*" below.

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, neither EHIL nor Holdco may take any Enforcement Action other than in the circumstances described in "*—Permitted EHIL and Holdco Enforcement*".

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, neither EHIL nor Holdco may amend the terms of any agreement evidencing their Liabilities (other than any minor, non-prejudicial amendments) without prior consent.

While any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding, EHIL may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss in respect of the EHIL Liabilities other than as expressly permitted by the Senior Finance Documents and the Senior Secured Notes Documents.

Holdco may not take, accept or receive the benefit of any security, guarantee, indemnity or other assurance against loss from any member of the Group in respect of any of the Holdco Liabilities while any Senior Liabilities, Hedging Liabilities or Senior Secured Notes Liabilities are outstanding.

Permitted EHIL and Holdco Enforcement

After the occurrence of an Insolvency Event in relation to any member of the Group, EHIL or Holdco may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of EHIL or Holdco (as applicable)), exercise any right it may otherwise have against that member of the Group to:

- accelerate any of that member of the Group's EHIL Liabilities or Holdco Liabilities (as applicable) or declare them prematurely due and payable or payable on demand;

- make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any EHIL Liabilities or Holdco Liabilities (as applicable);

- exercise any right of set off or take or receive any Payment in respect of any EHIL Liabilities or Holdco Liabilities (as applicable) of that member of the Group; or

- claim and prove in the liquidation of that member of the Group for the EHIL Liabilities or Holdco Liabilities (as applicable) owing to it.

Payment Obligations continue

No Debtor shall be released from the liability to make any payment under any Debt Document by operation of any of the provisions described in the sections entitled "*—Restrictions relating to Hedge Counterparties*", "*—Restrictions on Intra-Group Liabilities*" and "*—Restrictions on EHIL Liabilities and Holdco Liabilities*" even if its obligation to make such payment is restricted by the terms of those provisions.

No liabilities acquisitions

Members of the Group are not permitted to acquire any Hedging Liabilities without the consent of the Instructing Group.

Members of the Group are restricted from acquiring Intra-Group Liabilities where such acquisition would result in a breach of the Senior Facilities Agreement or Senior Secured Notes Documents or where an Acceleration Event has occurred and in the case of Structural Intra-Group Liabilities at all times unless expressly permitted under the Senior Facilities Agreement and the Senior Secured Notes Documents.

Members of the Group are not permitted to acquire any EHIL Liabilities or Holdco Liabilities without the consent of the Instructing Group (or following the Senior Discharge Date the Major Senior Secured Notes Creditors).

Effect of Insolvency Event; Filing of Claims

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any member of the Group any party entitled to receive a distribution out of the assets of that member of the Group in respect of Liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the Liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "—*Application of Proceeds*" below.

Subject to certain exceptions, to the extent that any member of Group's Liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any Creditor or Holdco which benefited from that set-off shall pay an amount equal to the amount of the Liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption "—*Application of Proceeds*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the Liabilities, the Liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the Liabilities.

After the occurrence of an Insolvency Event in relation to any member of the Group, each Creditor and Holdco irrevocably authorises the Security Agent, on its behalf, to:

(i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(ii) demand, sue, prove and give receipt for any or all of that member of Group's Liabilities;

(iii) collect and receive all distributions on, or on account of, any or all of that member of Group's Liabilities; and

(iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of Group's Liabilities.

Each Creditor and Holdco will (i) do all things that the Security Agent requests in order to give effect to the matters referred to in this "—*Effect of Insolvency Event; Filing of Claims*" section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this "—*Effect of Insolvency Event; Filing of Claims*" section or if the Security Agent requests that a Creditor or Holdco take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require) to enable the Security Agent to take such action.

The exception for the Senior Secured Notes Trustee as described in the final paragraph of the following section captioned "—*Turnover*" also applies to the requirements to turnover or repay amounts in the circumstances described in this section.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor or Holdco receives or recovers from any member of the Group:

(i) any Payment or distribution of, or on account of or in relation to, any of the Liabilities which is not a payment permitted under the Intercreditor Agreement or made in accordance with the provisions set out in the caption "—*Application of Proceeds*" below;

(ii) other than as referred to in the second paragraph under the caption "*—Effect of Insolvency Event; Filing of Claims*" any amount by way of set-off in respect of any of the Liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement or any amount:

(A) on account of, or in relation to, any of the Liabilities after the occurrence of an Acceleration Event or the enforcement of any Transaction Security or as a result of any other litigation or proceedings against a member of the Group other than after the occurrence of an Insolvency Event in respect of that member of the Group; or

(B) by way of set-off in respect of any of the Liabilities owed to it after the occurrence of an Acceleration Event or the enforcement of any Transaction Security,

other than, in each case, any amount received or recovered in accordance with the provisions set out below under the caption "*—Application of Proceeds*;"

(iv) the proceeds of any enforcement of any Transaction Security except in accordance with the provisions set out below under the caption "*—Application of Proceeds*;" or

(v) other than as referred to in the second paragraph of the caption "*—Effect of Insolvency Event; Filing of Claims*", any distribution in cash or in kind or Payment of, or on account of or in relation to, any of the Liabilities owed by any member of Group which is not in accordance with the provisions set out under the caption "*—Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group,

that Creditor or Holdco (as applicable) will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant Liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant Liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) in relation to receipts and recoveries received or recovered by way of set-off promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

There is an exception to all turnover provisions in the Intercreditor Agreement for the Senior Secured Notes Trustee, which is that the Senior Secured Notes Trustee only has an obligation to turnover or repay amounts received or recovered if (a) it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement (a "Turnover Receipt") and (b) to the extent that, prior to receiving that knowledge, it had not distributed the amount of the Turnover Receipt to the relevant Senior Secured Noteholders in accordance with the provisions of the relevant Senior Secured Notes Indenture.

Enforcement of Security

Enforcement Instructions

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by an Instructing Group.

Subject to the Transaction Security having become enforceable in accordance with its terms an Instructing Group may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security as they see fit.

Subject to certain provisions of the Intercreditor Agreement, no Secured Party shall have any independent power to enforce any Transaction Security or to exercise any rights or powers arising under the Security Documents except through the Security Agent.

The Secured Parties may not give instructions to the Security Agent as to any Enforcement Action other than in accordance with the Intercreditor Agreement.

Manner of Enforcement

If the Transaction Security is being enforced as set forth above under the caption "*Enforcement Instructions*," the Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as an Instructing Group shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Exercise of Voting Rights

Each Creditor and Holdco agrees with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the Transaction Security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or of any other security interest, which is capable of being applied in or towards discharge of any of the Secured Obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the Secured Parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the Transaction Security prior to the Senior Discharge Date, the duties of the Security Agent and of any Receiver or Delegate owed to any Hedge Counterparties and Senior Secured Notes Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that Transaction Security shall be no different to or greater than the duty that is owed by the Security Agent, Receiver or Delegate to the Debtors under general law.

Proceeds of Disposals

Non-Distressed Disposals

The Security Agent is irrevocably authorised and instructed (at the cost of the relevant Debtor or EHIL) to, in respect of a Non Distressed Disposal of an asset by a Debtor or a Non Distressed Disposal of an asset which is subject to Transaction Security to a person outside the Group.;

(i) release any Transaction Security (and/or any other claim relating to a Debt Document) over the asset; and

(ii) where the asset consists of shares in a Debtor, release any Transaction Security (and/or any other claim relating to a Debt Document) over that Debtor's assets.

The Security Agent is irrevocably authorised and instructed (at the cost of the relevant Debtor or EHIL) to enter into and deliver such documentation as the Security Agent considers necessary to give effect to any release described above.

If any proceeds from a Non-Distressed Disposal are required to be applied in mandatory prepayment of any of the Secured Obligations or to be offered to Secured Parties pursuant to the terms of the relevant Debt Documents then such proceeds shall be applied in or towards Payment of such Secured Obligations or shall be offered to the relevant Secured Parties in accordance with the terms of the relevant Debt Documents and the consent of any other party shall not be required for that application.

Distressed Disposals

A "Distressed Disposal" is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable, (b) being effected by enforcement of Transaction Security or (c) being disposed of to a third party subsequent to an Acceleration Event or the enforcement of any Transaction Security.

If a Distressed Disposal is being effected, the Security Agent is irrevocably authorised (at the cost of the relevant Debtor or EHIL):

(i) to release the Transaction Security or any other claim over that asset and execute and deliver or enter into any release of that security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

(A) that Debtor and any subsidiary of that Debtor from all or any part of its Borrowing Liabilities, its Guarantee Liabilities and its Other Liabilities;

(B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(C) any other claim of Holdco, an Intra-Group Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant Creditors, Debtors and Holdco;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:

(A) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities, its Guarantees Liabilities and its Other Liabilities;

(B) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and

(C) any other claim of Holdco, any Intra-Group Lender or another Debtor over the assets of any subsidiary of that holding company,

on behalf of the relevant Creditors, Debtors and Holdco;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the Liabilities or the Debtor Liabilities owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

(A) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those Liabilities or Debtor Liabilities (the "Transferee") will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities, *provided* that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the

Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all (and not part only) of the Liabilities owed to the Primary Creditors and all or part of any other Liabilities and the Debtor Liabilities,

on behalf of, in each case, the relevant Creditors, Debtors and Holdco;

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities or the Debtor Liabilities, to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities disposed of in accordance with paragraph (iv) above) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption "—*Application of Proceeds*" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of Liabilities or Debtor Liabilities has occurred, as if that disposal of Liabilities or Debtor Liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of Liabilities in accordance with paragraph (iv)(B) above), effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of Liabilities in order to achieve a higher price).

For the purposes of the actions described in paragraphs (ii), (iii), (iv) and (v) of the second paragraph of this "—*Distressed Disposals"* section and those described in the immediately preceding paragraph, the Security Agent shall act in such manner as an Instructing Group shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Insurance, Acquisition and Report Provider proceeds

The Intercreditor Agreement provides for authorization of the Security Agent to give certain consents and releases to facilitate the making of certain insurance claims or claims against vendors or report providers in respect of Permitted Acquisitions. The Intercreditor Agreement also confirms that the proceeds of such claims which are required to be applied in prepayment of the Facilities may be so applied.

Application of Proceeds

Order of Application

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realization or enforcement of all or any part of the Transaction Security (for the purposes of this "—*Application of Proceeds*" section, the "Recoveries") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this "—*Application of Proceeds*" section), in the following order of priority:

(i) in discharging any sums owing to the Security Agent, any Receiver or any Delegate;

(ii) in payment of all costs and expenses incurred by any Creditor Representative or Primary Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(iii) in payment to the Hedge Counterparties for an application towards the discharge of the Hedging Liabilities on a *pro rata* basis between the Hedging Liabilities of each Hedge Counterparty;

(iv) in payment to:

(A) the Agent on its own behalf and on behalf of the Lenders; and

(B) the Senior Secured Notes Trustee,

for application towards the discharge of:

(I) the Senior Agent Liabilities and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents); and

(II) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Documents),

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(v) if none of the Debtors is under any further actual or contingent liability under any Senior Finance Document, Hedging Agreement or Senior Secured Notes Documents, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(vi) the balance, if any, in payment to the relevant Debtor.

Equalization

The Intercreditor Agreement provides that if, for any reason, any Senior Liabilities or Senior Secured Notes Liabilities remain unpaid after the Enforcement Date and the resulting losses are not borne by the Primary Creditors in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the Primary Creditors at the Enforcement Date, the Primary Creditors will make such payments amongst themselves as the Security Agent shall require to put the Primary Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it may be amended or waived only with the written consent of the Creditor Representatives, the Majority Senior Lenders, the Majority Senior Secured Note Creditors and the Security Agent.

The Intercreditor Agreement may be amended by the Creditor Representatives, the Security Agent and Finco without the consent of any other party, to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or to meet the requirements of any person proposing to act as Senior Secured Notes Trustee which are customary for persons acting in such capacity.

Amendments and Waivers: Security Documents

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any Debt Document expressly provide otherwise, the Security Agent may, if authorised by an Instructing

Group, and if EHIL consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security Documents which shall be binding on each party to the Intercreditor Agreement.

Subject to the certain exceptions under the Intercreditor Agreement, any amendment or waiver of, or consent under, any Transaction Security Document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the Transaction Security are distributed requires the consent of the Creditor Representatives (in respect of and acting on instructions from such Lenders and such Senior Secured Notes Creditors as are required under the relevant Senior Facilities Agreement and the Senior Secured Notes Documents (as the case may be)).

Exceptions

Subject to the following paragraph of this "—*Exceptions*" section:

(a) if an amendment, waiver or consent may impose new or additional obligations on or withdraw or reduce the rights of any party other than:

    (i) in the case of a Primary Creditor, in a way which affects or would affect Primary Creditors of that party's class generally; or

    (ii) in the case of a Debtor, to the extent consented to by EHIL as described in the first paragraph of "—*Amendments and Waivers: Security Documents"* above,

    the consent of that party is required; and

(b) an amendment, waiver or consent which relates to the rights or obligations of a Creditor Representative, the Security Agent or a Hedge Counterparty may not be effected without the consent of that Creditor Representative or, as the case may be, the Security Agent or that Hedge Counterparty.

Neither paragraph (a) nor (b) above, shall apply:

(i) to any release of Transaction Security, claim or Liabilities; or

(ii) to any consent

which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement as described in the sections entitled "—*Proceeds of Disposals"* and "—*Insurance, Acquisition and Report Provider proceeds"* above.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the Debt Documents to the contrary.

Bond Refinancings

The Intercreditor Agreement provides for further Senior Secured Notes and subordinated bonds to be put in place.

In relation to any Senior Secured Notes which are issued in accordance with the permissions in the Senior Facilities Agreement, the parties to the Intercreditor Agreement are required to enter into any documentation necessary to ensure that such Senior Secured Notes are given the ranking and benefit of security required which may be equivalent to the Facilities and the then existing Senior Secured Notes, *provided* that if the incoming Senior Secured Notes Creditors require amendments to the Intercreditor Agreement these may only be made with the consent of the Creditor Representatives and the Majority Senior Lenders.

The Intercreditor Agreement also provides for certain subordinated bond financings to be put in place within the parameters set out in the Senior Facilities Agreement. The parameters under the Senior Facilities Agreement include that the subordinated bond must rank behind the Senior Lender Liabilities (and by virtue of that requirement therefore behind the Senior Secured Notes Liabilities) and the Hedging Liabilities, but ahead of any Intra-Group Liabilities or EHIL Liabilities. Such a subordinated bond refinancing would require the consent of the Majority Senior Lenders and the Majority Senior Secured Notes Creditors.

Instructions to the Security Agent and exercise of discretion

Subject to the exceptions set out under the caption "—*Exceptions*" below, the Security Agent shall act in accordance with any instructions given to it by an Instructing Group or, if so instructed by an Instructing Group, refrain from exercising any right, power, authority or discretion vested in it as Security Agent and shall be entitled to assume that (i) any instructions received by it from the Creditor Representatives, the Creditors or a group of Creditors are duly given in accordance with the terms of the Debt Documents and (ii) unless it has received actual notice of revocation, that those instructions or directions have not been revoked.

Instructions given to the Security Agent by the Instructing Group shall be provided by the relevant Creditor Representative(s) for such Instructing Group and the Security Agent shall be entitled to communicate with any Creditor or Creditors through their Creditor Representative and shall have no obligation to communicate with any Creditor or Creditors other than through their Creditor Representative(s).

The Security Agent shall be entitled to request instructions, or clarification of any direction, from an Instructing Group (to the extent they are entitled to give instructions to the Security Agent pursuant to the provisions relating to enforcement of Transaction Security, as summarized under the heading "—*Enforcement of Security*" above) as to whether, and in what manner, it should exercise or refrain from exercising any rights, powers, authorities and discretions and the Security Agent may refrain from acting unless and until those instructions or clarification are received by it.

Exceptions

Save as provided the provisions relating to enforcement of Transaction Security, as summarized under the heading "—*Enforcement of Security*" above, any instructions given to the Security Agent by an Instructing Group shall override any conflicting instructions given by any other Parties.

The obligation of the Security Agent to act in accordance with any instructions given to it by an Instructing Group or, if so instructed by an Instructing Group, refrain from exercising any right, power, authority or discretion vested in it as Security Agent as described in the first paragraph of this "—*Instructions to the Security Agent and exercise of discretion"* section shall not apply:

(i) where a contrary indication appears in the Intercreditor Agreement;

(ii) where the Intercreditor Agreement requires the Security Agent to act in a specified manner or to take a specified action;

(iii) in respect of any provision of the Intercreditor Agreement which protects the Security Agent's own position in its personal capacity as opposed to its role of Security Agent for the Secured Parties; and

(iv) in respect of the exercise of the Security Agent's discretion to exercise a right, power or authority under any of certain specified provisions of the Intercreditor Agreement including those relating to non-distressed disposals and application of proceeds as described above.

If giving effect to instructions given by an Instructing Group would (in the Security Agent's opinion) have an effect equivalent to an amendment of the Intercreditor Agreement which would require consent under the Intercreditor Agreement, the Security Agent shall not act in accordance with those instructions unless consent to it so acting is obtained from each Party (other than the Security Agent) whose consent would have been required in respect of that amendment in accordance the Intercreditor Agreement.

In exercising any discretion to exercise a right, power or authority under this Agreement where either it has not received any instructions from an Instructing Group as to the exercise of that discretion; or the exercise of that discretion is subject to the specified provisions as referred to in paragraph (iv) above, the Security Agent shall, do so having regard to the interests of all the Secured Parties.

Without prejudice to the provisions of the Intercreditor Agreement in relation to enforcement of Transaction Security and instructions to the Security Agent and exercise of discretion (as summarized above), the Security Agent may (but shall not be obliged to), in the absence of any instructions to the contrary, take such action in the exercise of any of its powers and duties under the Debt Documents as it considers in its discretion to be appropriate.

Security Agent and Senior Secured Notes Trustee Protections

The Intercreditor Agreement contains customary protections for each of the Security Agent and any Senior Secured Notes Trustee in relation to their respective duties and obligations, some of which limit the liabilities and duties of the Security Agent and the Senior Secured Notes Trustee.

14. GLOSSARY

"ADSL" or "asymmetrical digital subscriber line"	an access technology that allows voice and high-speed data to be sent simultaneously over local exchange service copper facilities.
"ARO" or "Access Reference Offer"	details the wholesale offering of new access service to all access seekers (other operators).
"ARPU"	average revenue per user is a telecom industry metric generally calculated by dividing total revenue for a product group by the average number of subscribers during a period.
"ATM"	Asynchronous Transfer Mode; a high-speed, high-volume, packet-switching protocol which supplies bandwidth on demand and divides any signal (voice, date or video) into efficient, manageable packets for ultra-fast switching.
"B2B"	business to business.
"Broadband"	a descriptive term for evolving digital technologies that provide consumers with a packet-switched facility capable of supporting integrated access to voice, high-speed data service, video-demand services and interactive delivery services (typically at speeds greater than 512 kilobits per second).
"Business IP+"	An international protocol-based service that allows multi-site customers to build data networks between sites and is carried on a separate network from the public Internet and is therefore secure.
"CPI"	consumer price index.
"DSL"	digital subscriber line.
"FMC"	fixed/mobile convergence.
"FTTB"	Fibre to the Building.
"FTTC"	Fibre to the Cabinet.
"FTTH"	Fibre to the Home.
"Gbits/s," "Gbps" or "Gb/s"	Gigabits per second.
"GSM"	Global System for Mobile communications.
"IaaS"	Our cloud-based Infrastructure as a Service offering to our business customers.
"Interconnect"	the connection of one telecom operator's network to another.
"IP" or "Internet protocol"	the protocol for data transfer between computer systems that provides a basic packet delivery service.
"ISDN"	Integrated Services Digital Network. An international standard which enables high speed simultaneous transmission of voice and/or data over the public telecommunications network. An ISDN Basic Rate Access (BRA) consists of two channels; a Primary Rate Access (PRA) consists of 30 channels.
"ISP" or "Internet service provider"	a business providing Internet access.
"Kbits/s," "Kbps" and "Kb/s"	Kilobits per second.
"LLU"	Local loop unbundling, the regulatory process of allowing multiple telecommunications operators to use connections from the telephone exchange to the customer's premises, See also "ULL".
"M2M"	Mobile to mobile.
"Mast access"	a commercial service offered by mast owners to network operators facilitating installation on masts, of antennas, feeders and channel combining equipment.
"MBB"	Mobile broadband.
"Mbps" or "Mb/s"	Megabits per second.
"MNO"	Mobile network operator.
"MPLS"	Multi-Protocol Label Switching, an advanced protocol supporting virtual links within a data stream.
"MTR"	Mobile termination rates.
"MVNO"	Mobile virtual network operator.
"Narrowband"	a network or circuit capacity of less than 64 bit/s.
"NBP"	National Broadband Plan.
"net additions"	the combined impact on volumes of new sales less cessations.

"Next Generation Network"	a broad term that encompasses newer generation core and access network technologies with high capacities over which an operator is able to provide innovative services to its customers.
"NGA"	Next Generation Access fibre network.
"NRA"	National Regulatory Authority
"Number portability"	the ability of a customer to transfer from one telecom operator to another and retain their original number.
"OAO" or "Other Authorized Operators"	an authorized operator (other than eir) which operates telecommunications systems.
"OTT"	Over-the-top applications.
"Packet switching"	the process of routing and transferring data by means of addressed packets, so that a channel is occupied during the transmission of the packet only, and upon completion of the transmission, the channel is made available for the transfer of other traffic packets.
"PPC"	Partial Private Circuit, a service consisting of the provision of capacity from a customer's premises to an operator's point of connection, whereby the operator's network will be physically and logically linked to our network.
"PSTN" or "public switched telephone network"	a telecommunications network usually accessed by telephones, key telephone systems, private branch exchange trunks and data arrangements. A PSTN line consists of a single access channel.
"PVR"	personal video recorder.
"RGU" or "Revenue Generating Unit"	a measure of the total number of services purchased to reflect customers purchasing more than one service.
"RIO"	Reference Interconnect Offer.
"SIP"	Session Initiation Protocol, a communications protocol for signalling and controlling multimedia communication sessions.
"SMP" or "Significant Market Power"	is a classification on the basis of market analysis, they are assessed as being able to exert economic influence, alone or with others, that allows it to operate, to a considerable extent, independently of competitors, consumers or other users.
"SMS"or "short messaging service"	enables transmissions of alphanumeric messages of up to 160 characters among mobile subscribers on GSM and other digital mobile networks.
"Switched data services"	services that are used to transfer data between specific points in a network by means of electronic, optical or electromechanical routing of signals, including frame relay, asynchronous transfer mode, and packet switching.
"Traffic"	calls or other transmissions being sent and received over a communications network.
"Transit services"	conveyance services provided by a network between two points of interconnection. It is a service that links two networks that are not directly interconnected.
"Unbundled local loop"	under the provision of the regulations of the European Parliament and European Council on Unbundled Access to the Local Loop, we are obliged to provide unbundled local access services to other licensed operators.
"Virtual private network"	a switched network with special services such as abbreviated dialing.
"VoIP" or "Voice over Internet Protocol"	a technology for the delivery of voice communications and multimedia sessions over private or public Internet Protocol (IP) networks.
"WACC"	Weighted average cost of capital.
"WBA"	Wholesale broadband access.
"White Label"	a wholesale service provided to switchless resellers where the service is delivered entirely on eir's network and the reseller provides only customer functions such as sales, marketing and billing.
"WLR" or "Wholesale Line Rental"	a wholesale service that allows OAOs to resell eir's access service and provide customers with a single bill for access and call services.
"ADSL" or "asymmetrical digital subscriber line"	an access technology that allows voice and high-speed data to be sent simultaneously over local exchange service copper facilities.
"ARO" or "Access Reference Offer"	details the wholesale offering of new access service to all access seekers (other operators).

"ARPU"	average revenue per user is a telecom industry metric generally calculated by dividing total revenue for a product group by the average number of subscribers during a period.
"ATM"	Asynchronous Transfer Mode; a high-speed, high-volume, packet-switching protocol which supplies bandwidth on demand and divides any signal (voice, date or video) into efficient, manageable packets for ultra-fast switching.
"B2B"	business to business.
"Broadband"	a descriptive term for evolving digital technologies that provide consumers with a packet-switched facility capable of supporting integrated access to voice, high-speed data service, video-demand services and interactive delivery services (typically at speeds greater than 512 kilobits per second).
"Business IP+"	An international protocol-based service that allows multi-site customers to build data networks between sites and is carried on a separate network from the public Internet and is therefore secure.

15. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF EHIL FOR THE YEAR ENDED JUNE 30, 2016

Independent auditors' report to the Directors of eircom Holdings (Ireland) Limited

Report on the non-statutory group financial statements

Our opinion

In our opinion, eircom Holdings (Ireland) Limited's non-statutory group financial statements (the "financial statements"):

- give a true and fair view of the group's assets, liabilities and financial position as at 30 June 2016 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the group balance sheet as at 30 June 2016;
- the group income statement for the year then ended;
- the group cash flow statement for the year then ended;
- the group statement of comprehensive income for the year then ended;
- the group statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page F-4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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Chartered Accountants

pwc

Independent auditors' report to the Directors of eircom Holdings (Ireland) Limited - continued

This report, including the opinion, has been prepared for and only for the company's directors as a body in accordance with our engagement letter dated 8 March 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We draw your attention to the fact that these financial statements have not been prepared under section 293 of the Companies Act 2014 and are not the company's statutory group financial statements.

PricewaterhouseCoopers
Chartered Accountants
Dublin
1 September 2016

eircom Holdings (Ireland) Limited

Statement of Directors' Responsibilities for Financial Statements
For the Year Ended 30 June 2016

The Directors are responsible for preparing the non-statutory consolidated financial statements for the bondholders in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and for being satisfied that they give a true and fair view of the state of the group's affairs at the end of the financial year and of the profit or loss and cash flows of the group for the financial year. In preparing these financial statements, the Directors are
required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements comply with IFRS, as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These non-statutory consolidated financial statements have been approved for issue by the Directors on 1 September 2016.

eircom Holdings (Ireland) Limited

Group income statement
For the Year Ended 30 June 2016

	Notes	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Revenue	6	1,249	**1,294**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	7	(779)	**(810)**
Amortisation	7, 13	(53)	**(88)**
Depreciation and impairment of property, plant & equipment	7, 14	(264)	**(280)**
Exceptional items	7, 8	(31)	**(68)**
Profit on disposal of property, plant and equipment	7, 9	1	**7**
Operating profit		123	**55**
Finance costs	10 (a)	(227)	**(226)**
Finance income	10 (b)	-	**-**
Finance costs – net	10	(227)	**(226)**
Share of profit of investments accounted for using the equity method		1	**2**
Loss before tax		(103)	**(169)**
Income tax credit	11	8	**11**
Loss for the financial year attributable to equity holders	29	(95)	**(158)**

Group statement of comprehensive income
For the Year Ended 30 June 2016

	Notes	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Loss for the financial year attributable to equity holders	29	(95)	**(158)**
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial (losses)/gains:			
- Actuarial (loss)/gain in year	34	(27)	**112**
- Tax on defined benefit pension scheme actuarial losses/(gains)	16, 25	3	**(14)**
		(24)	**98**
Items that may be reclassified subsequently to profit or loss			
Net changes in cash flow hedge reserve:			
- Fair value gain in year	29	1	**2**
Currency translation differences	29	1	**(1)**
		2	**1**
Other comprehensive (expense)/income, net of tax		(22)	**99**
Total comprehensive expense for the financial year attributable to equity holders	29	(117)	**(59)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet
As at 30 June 2016

	Notes	30 June 2015 €m	30 June 2016 €m
ASSETS			
Non-current assets			
Goodwill	12	192	**212**
Other intangible assets	13	435	**429**
Property, plant and equipment	14	1,527	**1,451**
Investments	15	2	**4**
Derivative financial instruments	24	1	**-**
Deferred tax asset	16	6	**4**
Other assets	17	15	**15**
		2,178	**2,115**
Current assets			
Inventories	18	9	**12**
Trade and other receivables	19	232	**222**
Restricted cash	20	8	**10**
Cash and cash equivalents	21	186	**148**
		435	**392**
Total assets		2,613	**2,507**
LIABILITIES			
Non-current liabilities			
Borrowings	23	2,106	**2,140**
Derivative financial instruments	24	2	**7**
Trade and other payables	27	152	**147**
Deferred tax liabilities	25	46	**47**
Retirement benefit liability	34	426	**346**
Provisions for other liabilities and charges	26	101	**108**
		2,833	**2,795**
Current liabilities			
Derivative financial instruments	24	2	**6**
Trade and other payables	27	461	**454**
Current tax liabilities		12	**-**
Provisions for other liabilities and charges	26	32	**34**
		507	**494**
Total liabilities		3,340	**3,289**
EQUITY			
Equity share capital	28, 29	-	**-**
Capital contribution	29	47	**52**
Cash flow hedging reserve	29	-	**2**
Retained loss	29	(774)	**(836)**
Total equity	29	(727)	**(782)**
Total liabilities and equity		2,613	**2,507**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group cash flow statement
For the Year Ended 30 June 2016

	Notes	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Cash flows from operating activities			
Cash generated from operations	30	423	**461**
Interest paid		(128)	**(133)**
Income tax paid		-	**(17)**
Net cash generated from operating activities		295	**311**
Cash flows from investing activities			
Acquisition of subsidiary undertaking, net of cash acquired		-	**(22)**
Purchase of property, plant and equipment ("PPE")		(249)	**(227)**
Purchase of intangible assets		(43)	**(66)**
Proceeds from sale of PPE		6	**9**
Restricted cash		6	**(1)**
Loan advanced to holding company		(14)	**-**
Net cash used in investing activities		(294)	**(307)**
Cash flows from financing activities			
Dividends paid to equity shareholders		(1)	**(1)**
Repayment on borrowings		(238)	**(2,526)**
Proceeds from loan borrowings		238	**2,367**
Proceeds from issuance of 4.5% Senior Secured Notes		-	**500**
Repayment of 9.25% Senior Secured Notes		-	**(350)**
Cost on redemption of 9.25% Senior Secured Notes		-	**(16)**
Debt issue costs		-	**(9)**
Fees paid in respect of Revolving Credit Facility		-	**(3)**
Amend and extend fees paid		(7)	**(4)**
Net cash used in financing activities		(8)	**(42)**
Net decrease in cash, cash equivalents and bank overdrafts		(7)	**(38)**
Cash and cash equivalents and bank overdrafts at beginning of financial year		193	**186**
Cash, cash equivalents and bank overdrafts at end of financial year	21	186	**148**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group statement of changes in equity
For the Year Ended 30 June 2016

	Notes	Total Equity €m
Balance at 1 July 2014	29	(647)
Total comprehensive expense for the financial year	29	(117)
Capital contribution in respect of MIP equity value event	29	11
Reclassification to equity of MIP debt value event provision	29	27
Dividends relating to equity shareholders	29	(1)
Balance at 30 June 2015	29	(727)
Balance at 1 July 2015	29	**(727)**
Total comprehensive expense for the financial year	29	**(59)**
Capital contribution in respect of MIP equity value event	29	**5**
Dividends relating to equity shareholders	29	**(1)**
Balance at 30 June 2016	29	**(782)**

The accompanying notes form an integral part of the financial statements.

1. General information
eircom Holdings (Ireland) Limited and its subsidiaries together ("the group" or "eircom Holdings (Ireland) Limited group" or "EHIL Group"), provide fixed line and mobile telecommunications services in Ireland.

eircom Holdings (Ireland) Limited was incorporated on 23 April 2012. eircom Holdings (Ireland) Limited directly holds 100% of the issued share capital of two principal subsidiaries: eircom Finco Sarl and eircom Limited. eircom Holdings (Ireland) Limited incorporated eircom Finco Sarl, a company registered in Luxembourg, on 24 May 2012.

On 11 June 2012, eircom Holdings (Ireland) Limited acquired 100% of the issued share capital of eircom Limited for €1.00 pursuant to a Scheme of Arrangement approved by the Irish High Court. The principal trading activities of the group are undertaken by eircom Limited and its subsidiaries. eircom Limited is the incumbent telecommunications operator in the Republic of Ireland.

On 1 July 2015, eircom Limited (Ireland), the principal operating company of the group, effected a transfer of its business assets and liabilities to a fellow subsidiary of eircom Holdings (Ireland) Limited, eircom Limited (Jersey), a company registered in Jersey. The business transfer was undertaken in the context of a corporate reorganisation within the eircom Holdings (Ireland) Limited group.

The internal corporate reorganisation was undertaken following receipt of the required consents from noteholders and lenders under the Senior Facilities Agreement on 22 August 2014. The primary corporate benefit derived from the reorganisation is increased flexibility to make distributions in the future. The internal corporate reorganisation does not have any effect on the business or operations of the group.

Eircom Holdco SA, a company registered in Luxembourg, is the immediate and ultimate holding company.

2. Going concern
The financial statements have been prepared on the going concern basis.

The net liabilities of the group included in the balance sheet at 30 June 2016 include liabilities in respect of borrowings which are measured at amortised cost including the unamortised fair value difference on borrowings of €196 million, as IFRS requires borrowings to be included at fair value on the date of initial recognition and subsequently at amortised cost (see Note 23).

The Directors believe that it is appropriate to adopt the going concern basis of accounting for the financial statements notwithstanding the net liability position of the group, as the Directors believe that based on the group's forecast of operational cash flows, and trading results, the group will be in a position to meet its obligations as they fall due and is expected to comply with its financial covenants, for the foreseeable future.

The financial covenants under the Senior Facilities Agreement include a maximum ratio of consolidated net debt to consolidated EBITDA, minimum ratios of cash flow and consolidated EBITDA to net debt service, minimum liquidity requirements and annual maximum capital expenditure limits. In setting the financial covenants consideration was given for potential downside risk to the eircom Limited Group's business plans. The covenants are required to be tested on a quarterly basis, except for the capital expenditure covenant which is required to be tested on an annual basis. The covenant tests have been met for the year ended 30 June 2016. The financial covenant measures, if not complied with at future dates, could result in the new Facilities becoming immediately due and payable in advance of the agreed maturity date.

Having made due enquiries, the Directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

3. Accounting policies
The significant accounting policies adopted by the group are set out below.

3.1. Basis of preparation
The entity and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis (see Note 2). A summary of the more important accounting policies is set out below.

The financial statements, which are presented in euro rounded to the nearest million, have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- pension obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets are valued at fair value.

3. Accounting policies – continued

3.1. Basis of preparation – continued
The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Standards, amendments and interpretations effective for the year ended 30 June 2016
The group adopted 'Annual Improvements 2010 to 2012' and 'Annual Improvements 2011 to 2013' during the year. The adoption of these amendments did not have a material impact on the group.

3.2. Basis of consolidation
The consolidated financial statements of the group comprise a consolidation of the financial statements of eircom Holdings (Ireland) Limited and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of eircom Holdings (Ireland) Limited included in the financial statements.

(i) *Subsidiaries*
Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are deconsolidated from the group from the date that control ceases.

(ii) *Joint arrangements*
Under IFRS 11 'Joint Arrangements' investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The group holds 56% of the equity share capital in Tetra Ireland Communications Limited ("Tetra"). However, the group's interest in Tetra is subject to a contractual agreement with other shareholders, which prevents the group from exercising a majority of voting rights in key strategic, operational and financial decision-making. Accordingly, the group's interest is accounted for as a joint venture in accordance with IFRS 11 'Joint Arrangements'.

The group's interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. The group's joint venture' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

3. Accounting policies - continued

3.2. Basis of consolidation – continued

(iii) *Associates*
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising on investments in associates are recognised in the income statement.

(iv) *Acquisitions*
The purchase method of accounting is used to account for all business combinations, except for business combinations involving entities under common control and group reorganisations. Under the purchase method of accounting, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities recognised. The interest of non-controlling interest shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised, and does not include a gross-up for goodwill. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group.

(v) Disposals
The results of businesses sold during the period are included in the consolidated financial statements for the period up to the date control ceases. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

(vi) Acquisitions involving entities under common control
Business combinations involving entities under common control are not required to be accounted for using the purchase accounting method under IFRS. The group instead applies the predecessor accounting method for such transactions. Under the predecessor accounting method, which is also commonly referred to as the merger accounting method, the assets and liabilities acquired are recognised at the acquisition date at the carrying values stated in the consolidated financial statements of the highest entity which has common control for which consolidated IFRS financial statements are prepared. The goodwill recognised is limited to the goodwill previously recognised in the consolidated financial statements of the highest entity which has common control. The difference between the consideration and the net assets recognised at predecessor value is charged/credited to the merger reserve, in equity. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group.

3.3. Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets, liabilities and contingent liabilities recognised of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually and is carried at cost less accumulated impairment losses. Impairment losses on goodwill may not be reversed in any circumstances.

Goodwill is allocated to cash generating units for the purpose of impairment testing in accordance with IAS 36 "Impairment of Assets". The allocation is made to cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of estimates, including management's expectations of future revenue, operating costs, profit margins and capital requirements for each cash generating unit.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3. Accounting policies - continued

3.4. Intangible assets
Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. IT development costs include only those costs directly attributable to the development phase and are only capitalised following completion of a technical feasibility study and where the group has an intention and ability to use the asset which will contribute future period financial benefits through revenue generation and/or cost reduction. Internal costs associated with developing computer software programmes are also capitalised on the same basis. These costs are amortised over their estimated useful lives (three to four years). Costs associated with the upgrade of computer software programmes which increase the functionality of computer software or related assets are capitalised.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Licence fees paid to the government, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period.

Other intangible assets, which comprise primarily acquired intangible assets, are capitalised at fair value and amortised using the straight-line method over their estimated useful lives, from the date the intangible assets are in use.

The following useful lives have been assigned to intangible assets:

	Years
Computer software	3 – 4
Intangible assets from acquisitions:	
Customer relationships (Fixed)	2
Trademark (Fixed)	5
Licence (Fixed)	2
Mobile licences	15 – 18.5 [1]

[1] Spectrum licences are amortised over the term of the relevant licences which expire between 13 July 2015 and 12 July 2030.

Intangible assets not yet available for use are tested for impairment in accordance with IAS 36 “Impairment of Assets” in the same manner as goodwill (see 3.3 above).

The group commenced amortisation of the Trademark (Fixed) from 1 October 2015 following the re-brand in September 2015. The Trademark (Fixed) had an indefinite useful life as of 30 June 2015. The Trademark (Fixed) has been assigned a useful life of five years. Upon reassessing the useful life of the Trademark from indefinite to five years its carrying value was tested for impairment as part of the Fixed Line CGU. Amortisation is calculated using the straight-line method to allocate the Trademark over the five year period.

3.5. Segmental reporting
An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Management Team, which is the key management team that makes strategic decisions.

3. Accounting policies - continued

3.6. Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Amounts disclosed as revenue are net of discounts and value added tax. Revenue includes sales by group entities but excludes all inter-company sales.

The group recognises revenue when the amount of the revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the actual terms of each arrangement.

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

When the group acts as principal bearing the risk and rewards of a transaction, revenue is recorded on a gross basis. However when the group acts as an agent on behalf of third parties, revenue is reported at the net amounts receivable from those third parties.

Fixed Line Revenue
Fixed line revenue is recognised in the period earned by rendering of services or delivery of products.

Traffic revenue is recognised at the time the traffic is carried over the group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle.

Connection fee revenue is deferred over the life of the connection, which is estimated to be between four and five years. Connection lives are reviewed annually.

Revenue from equipment sold to third parties is recognised when the equipment is delivered to the customer. Revenue arising from the provision of other services, including maintenance contracts, data hosting and other related services, is recognised over the term of the contract. Revenue from fixed price contracts is generally recognised in the period the services are provided, using a straight line basis over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Mobile Revenue
Mobile revenue consists principally of charges to customers for traffic from mobile network services, revenue from providing network services to other telecommunications operators, and the sale of handsets and other accessories.

Bundled Contract Revenue
Revenue from the sale of bundled products is allocated to the separate elements of the bundle on the basis of each element's relative fair value and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the elements when sold separately. Additionally, when allocating the bundled revenue to each element, amounts contingent upon provision of future service are not allocated to delivered elements. To the extent that there is a discount in the bundled product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element.

3.7. Exceptional items
The group has adopted an income statement format which seeks to highlight significant items within group results for the year. The group believe that this presentation provides additional analysis as it highlights one-off items. Such items include, where significant, restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, impairment of surplus properties, onerous contracts and reinstatement/dilapidation provisions. Judgement is used by the group in assessing the particular items, which, by virtue of their scale and nature, are disclosed in the group income statement and related notes as exceptional items.

3. Accounting policies - continued

3.8. Amounts paid and payable to other operators
Amounts paid and payable to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

3.9. Customer acquisition costs
The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are expensed as incurred in the income statement.

The cost of mobile handsets and mobile handset promotions are expensed at the time the customer is acquired or when upgrades are provided to existing customers.

The costs associated with the group's advertising and marketing activities are also expensed as incurred.

3.10. Foreign currencies
Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). These consolidated financial statements are presented in euro, which is the group's presentation currency and is denoted by the symbol "€".

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of other comprehensive income as qualifying cash flow hedges.

Group entities
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the statement of other comprehensive income.

3.11. Taxation
eircom Holdings (Ireland) Limited is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the balance sheet date, and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in other comprehensive income or directly in equity, if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income or directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3. Accounting policies - continued

3.12. Financial instruments

(i) Borrowings
All borrowings are initially stated at the fair value of the consideration received after deduction of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the fair value on initial recognition and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Where the terms of borrowings are amended, if the revised terms are substantially different from the original terms, the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any gain or loss on the extinguishment of the original liability is recognised immediately in the income statement. If the new terms are not substantially different from the original terms, the impact of the change in the cash flows on the financial instrument's amortised cost is recognised in the income statement over the modified instrument's remaining contractual period.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement for the liability for at least 12 months from the balance sheet date.

(ii) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each subsequent balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Derivative assets or liabilities are presented as current or non-current based on expected realisation or settlement dates.

(iii) Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(iv) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. The group's loans and receivables are set out in Note 22.

3. Accounting policies - continued

3.13. Property, plant and equipment
Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Cost in the case of network plant includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Depreciation
Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives, from the date the asset is available for use. The estimated economic lives assigned to property, plant and equipment are as follows:

Asset Class	Estimated Economic Life (Years)
Buildings	40
Network Plant	
Transmission Equipment	
Duct	20
Overhead cable/poles	8-15
Underground cable	14
Other local network	6-15
Exchanges	
Exchange line terminations	8
Core hardware/operating software	3-4
Others	3-14

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

Assets in the course of construction
Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, directly attributable to constructing qualifying assets that necessarily take a substantial period of time to get ready for their intended use, is capitalised based on the weighted average interest rate on outstanding borrowings.

Asset retirement obligations
The group has certain obligations in relation to the retirement of assets, mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

3.14. Impairment of non financial assets
Assets that have an indefinite useful life, principally goodwill and intangible assets not yet available for use, are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill and secondly against the other assets (including other intangible assets) in the cash generating unit on a pro-rata basis based on the carrying amount of each asset in the cash generating unit.

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses recognised in respect of goodwill are not reversed in any circumstances.

3. Accounting policies – continued

3.15. Leased assets
The group applies the principles of lease accounting where an arrangement is dependent upon the use of specific assets and conveys the right to use the assets. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Where the group is lessee
The fair value of property, plant and equipment acquired under finance leases is included in property, plant and equipment and depreciated over the shorter of the lease term and the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the income statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Where the group is lessor
The cost of equipment assets of the group provided to customers as part of arrangements which constitute operating leases is included in property, plant and equipment and depreciated over the estimated useful life of the asset.

The cost of equipment assets of the group provided to customers as part of arrangements which constitute finance leases is expensed to the income statement upon delivery to the customer.

3.16. Inventories
Inventories comprise mainly consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items, on the basis of a review of individual items included in inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

As part of the strategy to acquire new customers and retain existing customers, the group sells certain mobile handsets, in connection with a service contract, at below the acquisition cost. As the mobile handset subsidy is part of the group's strategy for acquiring new customers and retaining existing customers, the loss on the sale of mobile handsets is recognised at the time of the sale or provision to the customer on a free of charge basis and included in the income statement.

3.17. Trade and other receivables
Trade receivables are recognised initially at fair value, which is normally the original invoiced amount or amount advanced and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of the bad debt provision account, and the amount of the loss is recognised in the income statement in "operating costs". When a trade receivable or other receivable is uncollectible, it is written off against the bad debt provision account.

If there is objective evidence that an impairment loss on loans and advances carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. Accounting policies – continued

3.18. Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of less than three months.

3.19. Indefeasible rights of use ("IRU")
The group accounts for IRU contracts that are not leases in the following manner:

(i) Sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as an asset and amortised on a straight-line basis as an expense over the period of the relevant contracts.

3.20. Employee benefits

(i) *Pension obligations*
Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to independent trustee-administered funds. The group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Typically, defined benefit plans define an amount of future pension benefit that employees have earned in return for their services to date. The pension benefit that an employee will receive on retirement is usually dependent on factors such as age, years of service and compensation. The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the group's defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets are valued at their market value at the balance sheet date using bid values. The defined benefit obligation, and the related current service cost, and, where applicable, past service cost, are calculated by independent actuaries using the projected unit credit method. The defined benefit obligation is calculated annually unless there has been a material change in the obligations, where it is then recalculated during the year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on current market yields at the balance sheet date of high quality corporate bonds that are denominated in euros, and reflect the duration of the related pension liability.

The amounts of current service cost and net interest cost recognised in the income statement are computed based on actuarial assumptions at the start of the financial year. Costs of administering the defined benefit plans, other than investment management costs, are recognised within operating expenses in the income statement as the administrative services are received.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, are charged or credited directly to reserves through the statement of other comprehensive income.

Past service costs and negative past service costs are recognised immediately in the group income statement.

Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets or liabilities in the group income statement. Before the effect of a curtailment or settlement is determined, the defined benefit obligation is re-measured using current actuarial assumptions.

The deferred tax impact of pension plan surpluses and deficits is disclosed separately within deferred income tax assets or liabilities, as appropriate.

Pre 1 January 1984, past-service costs are the responsibility of the Irish Minister for Finance (see Note 34(b)).

3. Accounting policies – continued

3.20. Employee benefits – continued

(ii) *Other bonus plans*
The group recognises a liability and an expense for bonuses where contractually obliged, or where there is past practice that has created a constructive obligation.

The entitlement to bonuses under long term bonus plans is usually conditional on the completion of a minimum service period. The expected costs of the bonuses are accrued over the period of employment based on estimates of the ultimate amount payable and targets under the schemes.

(iii) *Other long term incentive arrangements*
Where the group has committed to other long term incentive arrangements, resulting long term employment benefits are accounted for in a similar manner to post employment benefits. The group accounts for obligations relating to long term incentive bonus plans for executive directors, key management and other employees at the present value of the incentive bonus plan obligation at the reporting date. The service cost relating to such plans is allocated over each of the years which service under the plan is rendered by the individual to meet the conditions under each of the individual vesting periods. The income statement expense represents the increase in the present value of the incentive bonus plan obligation resulting from employee service in the current period, and any changes in the estimate of the ultimate amounts payable under the scheme, in addition to any associated finance costs where material.

Where long term incentive arrangements include share-based payment obligations, the accounting for such arrangements differs depending on whether the obligations are equity-settled, cash-settled and where the cost is borne by the holding company. Under the plans currently in existence, the group has no obligations in respect of share based payments, which are borne by the holding company, eircom Holdco SA. As the relevant individuals provide services to the group, the group is required to recognise a charge to the income statement and a corresponding increase in equity. The total charge for the equity-settled award is computed by reference to the fair value of the award at the grant date, and is not re-measured. The allocation of the charges over the vesting period is based on the service vesting conditions, and the impact of potential accelerated vesting events. For cash settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(iv) *Termination benefits*
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following: (a) when the group can no longer withdraw the offer of those benefits; or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits comprise the estimated benefits payable to staff availing of voluntary leaving schemes and the associated pension impact.

3.21. Provisions
A provision is recognised when, and only when (a) the group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

A constructive obligation for restructuring cost exists where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous lease provisions have been measured at the lower of the cost to fulfil the contract, or the estimated cost to exit it, where appropriate.

3. Accounting policies – continued

3.22. Financial guarantee contracts
Liabilities are initially measured at fair value in respect of financial guarantees issued by the group for the benefit of third parties, and subsequently at the higher of the amount determined in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

3.23. Contingent liabilities and contingent assets
A contingent liability, including contingent liabilities in respect of financial guarantee contracts, is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because: (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (b) the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised but is disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain an asset is recognised.

Where the group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability.

3.24. Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.25. Dividend distribution
Final dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are paid.

3.26. Dividends
Dividend income is recognised when the right to receive payment is established.

4. Financial risk management

Financial risk factors
The group's activities expose it to a variety of financial risks: liquidity risk, market rate risk (including cash flow, interest rate risk, currency risk and price risk) and credit risk. The group's overall risk management program focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments, such as interest rate swaps, to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, and ageing analysis for credit risk. Responsibility for managing these risks rests with the Board.

The group does not hold or issue derivative financial instruments for financial trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

On 11 June 2012, following the implementation of a High Court approved Scheme of Arrangement under which eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited, eircom Finco Sarl, a subsidiary company, became the borrower of €2,345 million under a Senior Facilities Agreement with the group's external lenders. eircom Holdings (Ireland) Limited together with certain of its subsidiary companies, are guarantors under the Senior Facilities Agreement. The Senior Facilities Agreement requires, amongst other things, that the eircom Holdings (Ireland) Limited Group comply with financial covenants. Further details of the financial covenants are set out in Note 2 to the financial statements. Non-compliance with these covenants, which are measured on a quarterly basis, would allow the lenders under the Senior Facilities Agreement to accelerate the indebtedness requiring all incurred liabilities to be immediately repaid in full.

During the year ended 30 June 2013, the net proceeds of €339 million from the issuance of €350 million of Senior Secured Notes, after allowance for certain costs relating to issuance, were used to repurchase €364 million of principal due and outstanding under the Senior Facilities Agreement (at an average price of €0.933 per €1.00). The Senior Secured Notes bear fixed rate cash pay interest of 9.25% in semi-annual instalments.

On 4 April 2014, the group effected an amendment and extension of the terms of 94.7% of the outstanding principal under its Facility B bank borrowings. On 11 June 2015, the group effected a further amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The new and amended Facility B3 borrowings of €1,863 million are subject to cash-pay interest at Euribor plus 4.5% margin. The €238 million mandatory prepayment of Facility B1 and B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €32 million in the income statement within 'finance costs'. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. Transaction costs of €11 million directly attributable to the modification and new borrowings have been deferred to the balance sheet and will be amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

In June 2016, the group issued €500 million in Senior Secured Notes with a maturity date of 31 May 2022. The Notes are subject to fixed rate cash-pay interest at 4.5% payable in semi-annual instalments in May and November each year. The proceeds of €500 million were used to fully repay the €350 million 9.25% Senior Secured Notes and partly finance the repayment of the non-extending Facility B2 borrowings. The group fully repaid the non-extending Facility B2 borrowings of €159 million on 20 June 2016. The prepayment of Facility B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €12 million in the income statement within 'finance costs'.

There have been no other changes in the types of financial risks or the group's risk management program (including methods used to measure the risks) arising from any of the group's trading activities since 30 June 2015.

4.1. Liquidity risk
The objective of liquidity management is to ensure the availability of sufficient funds to meet the group's requirements and to repay maturing debt and other liabilities as they fall due.

The balance sheet of eircom Holdings (Ireland) Limited includes a recognised liability of €1,667 million in respect of the group's borrowings under the Senior Credit Facilities Agreement in non-current liabilities as at 30 June 2016. The actual non-current liability in respect of these borrowings at 30 June 2016 is €1,863 million. The difference of €196 million, arising from recognising the borrowings based on the fair value on inception, is amortised over the term of the borrowings in accordance with the effective interest rate method under IAS 39.

4. Financial risk management – continued

4.1. Liquidity risk – continued

Details of the maturities of the obligations of the group are set out below.

As set out in Note 2, having reviewed the group's business plans and cash flow forecasts, and considering forecast compliance with financial covenants up to the period ending 31 December 2017, the Directors consider that the group will able to realise its assets and discharge its liabilities in the ordinary course of business for the foreseeable future. Management of the group's liquidity risk is fundamental to its operations. The nature of the group's business, its working capital management activities and investment in network assets has often resulted in minimal current assets or net current liabilities.

The eircom Holdings (Ireland) Limited group has net current liabilities of €102 million at 30 June 2016. The current liabilities at that date include deferred revenue of €108 million. There is no cash outflow requirement associated with deferred revenue.

Maturities of financial liabilities
The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the interest rates effective at the balance sheet date and includes the margins applicable to the relevant debt.

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
Borrowings					
- At 30 June 2016	**-**	**-**	**-**	**2,363**	**2,363**
- At 30 June 2015	-	-	509	1,863	2,372
Interest on borrowings					
- At 30 June 2016	**106**	**108**	**323**	**100**	**637**
- At 30 June 2015	125	124	369	163	781
Derivative financial instruments					
- At 30 June 2016	**6**	**7**	**-**	**-**	**13**
- At 30 June 2015	2	2	-	-	4
Trade and other payables					
- At 30 June 2016	**293**	**8**	**23**	**9**	**333**
- At 30 June 2015	301	8	23	16	348
TIS annuity scheme					
- At 30 June 2016	**5**	**3**	**7**	**2**	**17**
- At 30 June 2015	6	5	9	3	23

4.2. Capital risk management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders over the long term. The capital structure of the group consists of the borrowings as set out above, and equity comprising issued capital, reserves and accumulated losses as listed in Note 29. The maturities of the group's borrowings are shown in Note 4.1.

4. Financial risk management – continued

4.3. Credit risk
Credit risk refers to the loss that the group would incur if a debtor or other counter-party fails to perform under its contractual obligations. Credit risks are mainly related to counter-party risks associated with cash and cash equivalents, restricted cash, trade and other debtors, amounts owed by related companies and derivative contracts.

The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland. Exposure to credit loss and subscriber fraud is actively monitored on a regular basis, including some processing of current credit information on subscribers from third-party sources (subject to availability) and, where appropriate, a provision for doubtful debtors is made.

The credit risk and net exposure on key accounts, particularly other authorised operators and international carriers, is monitored separately through continual risk assessments of customers with material balances. In terms of the overall exposure from credit risk, the receivables from these counter-parties are not so extensive as to be considered significant concentrations of credit risk.

Ageing of trade receivables
The ageing analysis of trade receivables is set out below.

	Past due but not impaired						
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days	**Neither impaired nor past due**	**Impaired**	**Total**
	€m	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Trade receivables - at 30 June 2016	**22**	**8**	**4**	**19**	**85**	**12**	**150**
- at 30 June 2015	28	15	7	21	80	22	173

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The group held collateral on trade receivables in the form of cash deposits of €1 million (30 June 2015: €2 million) as security.

The group is exposed to credit risk relating to its cash and cash equivalents. The group treasury policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts with authorised banking counter-parties and with institutions whose long-term Standard & Poor's (S&P) credit rating is "BBB-" or above (or Moody's equivalent rating of "Baa3") or is an acceptable bank under the Senior Facilities Agreement.

The credit quality of cash and cash equivalents can be assessed by reference to S&P credit ratings in the table below.

	30 June 2015	**30 June 2016**
	€m	**€m**
Cash and cash equivalents		
A+	-	**71**
A	-	**55**
BBB	-	**1**
BBB-	3	**3**
BB+	183	**18**
	186	**148**

4. Financial risk management – continued

4.4. Market rate risk
Market rate risk refers to the exposure of the group's financial position to movements in interest rates, currency rates and general price risk. The group has limited exposure to equity, currency and price risk, other than the impact of those risks on the group's defined benefit pension scheme.

The principal aim of managing the interest rate risk is to limit the adverse impact on cash flows and shareholder value of movements in interest rates.

Cash and cash equivalents and borrowings at variable rates expose the group to cash flow interest rate risk. Cash and cash equivalents and borrowings at a fixed rate expose the group to fair value interest rate risk.

The group uses derivative financial instruments to hedge certain interest rate risk exposures on group borrowings.

In accordance with the terms of the Senior Facilities Agreement of eircom Holdings (Ireland) Limited in November 2012 a hedging letter was agreed between eircom Holdings (Ireland) Limited and the Agent. The hedging letter required the group to hedge its exposure to interest rate risk on not less than 50 per cent of its consolidated total net debt as defined under the Senior Facilities Agreement until 11 June 2015. Since that date, the group is no longer required to hedge its exposure to interest rate risk.

During the year ended 30 June 2015, the group entered into two forward starting interest rate swaps with a notional principal amount of €1,200 million for a period of three years from 11 June 2015. The swaps do not meet the requirements for hedge accounting.

As at reporting date, the group had the following cash and cash equivalents (Note 21), floating-rate borrowings (Note 23) and interest rate swap contracts outstanding (Note 24):

	30 June 2015		**30 June 2016**	
	Weighted average Interest rate %	**Balance €m**	**Weighted average Interest rate %**	**Balance €m**
Cash and cash equivalents	-	186	**-**	**148**
Bank borrowings (Facility B2)	4.50%	(159)	**-**	**-**
Bank borrowings (Facility B3)	4.50%	(1,863)	**4.50%**	**(1,863)**
Interest rate swaps (Notional principal amount)		1,200		**1,200**
Net exposure to interest rate risk		(636)		**(515)**

4. Financial risk management – continued

4.4. Market rate risk – continued

Interest rate sensitivity analysis
Based on the financial instruments held at the balance sheet date, if interest rates are 25 basis points ("bps") higher/lower and all other variables are held constant, the group's profit/(loss) after tax for the year ended 30 June 2016 will increase or decrease by the amounts set out in the table below:

	Increase by 25 bps €m	Decrease by 25 bps €m
Profit for the year - (lower)/higher	**(1)**	**1**

A sensitivity of 25 bps has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

Currency risk
The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to a foreign subsidiary, capital expenditure denominated in foreign currencies and foreign exchange settlements with international third party telecommunications carriers.

Given the limited level of risk the group does not generally hedge its foreign exchange risk arising on transactions and capital expenditure denominated in foreign currencies.

Price risk
The group is exposed to price risk on the assets held by the group's defined benefit pension scheme (see Note 34).

4.5. Fair value estimation
IFRS 13 requires disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

This information has been provided in Note 22.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair values of short-term deposits and overdrafts approximate to their carrying amounts.

4. Financial risk management – continued

4.6. Hedging instruments

Derivatives ineligible for hedge accounting
As at the reporting date, the group had entered into a number of swaps to cover interest rate exposure on various debt obligations. These instruments are ineligible for hedge accounting under IAS 39 and movements in the fair value of these derivatives have been taken through the income statement. The details of the effective interest rate and maturity of these instruments is:

				Maturity date – principal value					
	Principal value	**Fair Value**	**Weighted average Interest rate**	**Within 1 Year**	**Between 1 & 2 Years**	**Between 2 & 3 Years**	**Between 3 & 4 Years**	**Between 4 & 5 Years**	**After 5 Years**
	€m	**€m**	**%**	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Derivatives ineligible for hedge accounting									
- at 30 June 2016	**1,200**	**(13)**	**0.099%**	**-**	**1,200**	**-**	**-**	**-**	**-**
- at 30 June 2015	1,200	(3)	0.099%	-	-	1,200	-	-	-

The group does not use derivatives for trading or speculative purposes but has derivatives which are ineligible for hedge accounting.

Further information on the group's use of interest rate swaps is included in Note 24.

Interest rate swaps – ineligible for hedge accounting
During the year ended 30 June 2015, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1,200 million for a period of three years from 11 June 2015. The fixed interest rate on the swaps was between 0.093% and 0.105% and the floating rate was based on Euribor. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the group’s Senior Credit Facility. The margin on the senior credit facility is 4.5% over Euribor on Facility B3 borrowings.

On 11 June 2015, the group effected an amendment and extension of the terms of its Facility B borrowings and as part of the ‘Amendment and Restatement’ this included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities. There is no corresponding floor in the group’s interest rate swaps. Therefore the swaps are no longer an effective hedge for the group’s exposure to interest rate risk.

The unrealised loss recognised in the income statement during the year that arises from derivatives ineligible for hedge accounting is €11 million (30 June 2015: €2 million). These amounts have been classified in the income statement within ‘finance costs’.

5. Critical Accounting Judgements and Estimates

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1. Determining the purchase price allocation in respect of business combinations

In the purchase price allocation made for each acquisition, the purchase price is assigned to the identifiable assets, liabilities and contingent liabilities based on fair values for these assets and liabilities. Any remaining excess value is reported as goodwill. This allocation requires management judgement including estimating the fair value of the acquired tangible and intangible assets and estimating the revenue and profits to be generated by the acquired business. Other judgements might result in significantly different results and financial position in the future.

5.2. Making appropriate assumptions on non-financial asset impairment reviews

The group undertakes a review for impairment of goodwill, indefinite lived intangible assets, intangible assets not yet available for use annually and for other non-financial assets if events or circumstances indicate that the carrying amount may not be recoverable.

Factors which the group consider could trigger an impairment include, but are not limited to the following: (1) significant negative industry or economic trends, (2) current, historical or projected losses that demonstrate continuing losses, (3) results of fair market valuations performed or (4) changes in key assumptions underpinning the fair value less cost to sell and value in use calculations. These impairment charges under IFRS are based upon the excess of the carrying amount of the asset over its recoverable amount, which is the higher of the fair value less cost to sell and its value in use, based on discounted future cash flows. When an asset is not recoverable in full, impairment is measured as the excess of carrying value over the recoverable amount of the long-life asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value less cost to sell. Changes in these estimates directly affect management's assessment of whether an impairment charge is required and the amount of the impairment charge recorded.

The discount rate used in impairment testing is derived from a weighted average cost of capital ("WACC") which is impacted by interest rates and market risk premiums, estimated for companies in the telecommunications sector. There is a risk that the WACC could increase significantly in future periods, depending on market volatility. There is also a risk of deterioration in the budgeted future cash flows as a result of the current economic environment.

Any significant deterioration in the budgeted future cash flows or changes in WACC or estimates in respect of terminal growth rates could result in a further impairment of our goodwill and/or non-financial assets, which could have a further negative effect on operating profits and assets. Future cash flows would not be impacted by any impairment provision.

Details of the assumptions used in the impairment test at 30 June 2016 are set out in Note 12.

5.3. Establishing lives for amortisation purposes of intangible assets

The group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Where the useful life of an intangible asset is reassessed as finite rather than indefinite a test for impairment is carried out. Changes in asset lives can have a significant impact on amortisation charges for the period. Detail of the useful lives is included in Note 3.4 and the related intangible assets are set out in Note 13.

5.4. Establishing lives for depreciation purposes of property, plant and equipment

Long-life assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation, physical condition of the assets concerned and other factors that may impact on the remaining useful lives of assets. Changes in asset lives can have a significant impact on depreciation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis as asset lives are individually determined and there are a significant number of asset lives in use. The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted. Detail of the useful lives is included in Note 3.13 and the related assets are set out in Note 14.

5. Critical Accounting Judgements and Estimates – continued

5.5. Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs
The group operates a funded defined benefit scheme, which is independent of the group's finances, for the majority of employees. Valuations of the main scheme are carried out by the scheme actuaries. The rates of contribution payable and the pension cost are determined on the advice of the actuaries. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, and the interest rate at which the future pension payments are discounted. The group uses estimates for all of these factors in determining the pension costs, surpluses or deficits arising on acquisitions and assets and liabilities reflected in the financial statements.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

During the year ended 30 June 2010, the eircom Limited group agreed certain caps on future increases in pensionable salaries. The maximum increase in any given year is set at the lower of pre-determined fixed annual rates, the rate of CPI or salary inflation. However, there is still a significant level of uncertainty in relation to ultimate pensionable salaries that will apply in determining benefits payable. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. The effect of changes in assumptions on the pension scheme valuation is contained in Note 34.

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets and the discount rate at which future pension liabilities are valued have fluctuated significantly over the last number of years.

5.6. Making appropriate assumptions in calculating long term employee benefit charges
Judgement is required in calculating the accrued charges and liabilities in connection with certain of the group's long term employee incentive arrangements. Where the arrangements give rise to a liability for a holding company, the group recognises a charge with a corresponding increase in equity. To the extent that the arrangements give rise to a liability for the group, the group recognises a charge with a corresponding increase in liabilities. The estimate of the total liability accrued under long term incentive arrangements at the balance sheet date is determined based on a number of factors including the group's forecasted future repayments of the Senior Credit Facility and any refinancing events which may take place. The liability is discounted to reflect the time value of money. The estimated liability is based on a number of estimates and judgements, the actual outcome of which will only become known at future dates and will be required to be re-measured at subsequent reporting dates with any corresponding changes in the estimated liability being accounted for in the group's statement of total income.

5.7. Providing for litigation, contingencies and other constructive obligations
The group is a party to lawsuits, claims, investigations and proceedings, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business. The group reviews the current status of any pending or threatened proceedings with the group's legal counsel on a regular basis.

In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred, (2) the degree of probability of an unfavourable outcome, and (3) the ability to make a reasonable estimate of the amount of loss. Upon considering the above and other known relevant facts and circumstances, the group recognises any loss that is considered probable and that can be measured reliably as of the balance sheet date.

In addition, the group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory and taxation authorities. These provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

Details of the contingent liabilities are set out in Note 37 and provisions for other liabilities and charges are set out in Note 26.

5. Critical Accounting Judgements and Estimates – continued

5.8. Charges for restructuring costs
Provisions for restructuring costs including the associated pension costs are made where a constructive obligation to restructure arises and the restructuring programme is within the scope of IAS 37, i.e. where there is a detailed formal plan for the restructuring and in addition, there is a valid expectation in those affected, that the group will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

Provisions reflect the current estimate of the staff exit costs associated with plans for which the group has constructive obligations at year end, and includes the estimated benefit payable to staff availing of the scheme and the associated pension impact.

The restructuring programme is ongoing, and therefore additional charges are expected to be incurred in future years in respect of future restructuring schemes for which constructive obligations are not deemed to exist at 30 June 2016.

5.9. Asset retirement obligations
The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. Significant judgement is required in determining the amount and timing of cash flows associated with the asset retirement obligations as some of the cash flows are anticipated up to 15 years in the future, and no significant retirement or decommissioning costs have been incurred to date.

There is a plan in place to de-commission property, plant and equipment held on a number of base stations as a result of the group's network sharing agreement with Three, another mobile operator in Ireland, with the objective of enhancing efficiencies and achieving cost savings from the sharing and integration of certain aspects of the Radio Access Networks of both groups. This partnership with Three strengthens the existing network sharing agreement that has been in place between O2 and the group since 2011. The estimated change in the amount and timing of cash flows associated with the asset retirement obligations on base stations are included in the financial statements.

There are also ongoing changes in legislation which impact on the group's assessment on the level of cost and the manner in which certain asset retirement obligations can be met. Any adverse changes in legislation or interpretations of existing legislation could have a significant impact on the group's estimate of its asset retirement obligations.

5.10. Taxation
Current tax
The actual tax the group pays is determined according to complex tax laws and regulations. Where the effect of these laws and regulations are unclear, the group uses estimates in determining the liability for the tax to be paid. The group believes the estimates, assumptions and judgements are reasonable but the estimates can involve complex issues which may take a number of years to resolve. The final determination of tax liabilities could be different from the estimates reflected in the financial statements and may result in the recognition of an additional tax expense or tax credit in the income statement in future periods. The value of the group's current tax liability is disclosed on the balance sheet.

Deferred tax
Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. The carrying value of the group's deferred tax assets and liabilities are disclosed in Notes 16 and 25, respectively.

5.11. Providing for doubtful debts
The group provides services to individuals and business customers on credit terms. The group expects that some debts due will not be paid as a result of the default of a small number of customers. The group uses estimates based on historical and current experience in determining the level of debts which may not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues. Further worsening in the Irish economy or negative industry trends could require an increase in the estimated level of debts that may not be collected, which would negatively impact the operating results. The level of provision required is reviewed on an ongoing basis.

5. Critical Accounting Judgements and Estimates – continued

5.12. Assessing the level of interconnect and other income from and payments to other telecommunications operators
The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions. Changes in the estimates directly affect revenue, operating costs and profit or loss.

5.13. Onerous contracts
The group has onerous contracts associated with vacant offices and leasehold properties, arising principally from operational restructurings. The group also has onerous contracts associated with ongoing data centre operations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflect current economic conditions and estimates are used in determining the level of provisions required in respect of dilapidation and reinstatement works required on leasehold properties, including properties still in use.

5.14. Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses discounted cash flow analysis and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

6. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group which are regularly reviewed by the 'Chief Operating Decision Maker' in order to allocate resources to the segments and to assess their performance.

The group's operating segments are reported based on financial information provided to the Senior Management Team ("SMT"), which is the key management team and represents the 'Chief Operating Decision Maker'. The SMT is chaired by the Group Chief Executive and the other members are the Group Chief Financial Officer, Chief Information Officer, Business Directors, Customer Operations Director and Networks Director.

The SMT considers the business from a fixed line and mobile perspective and assesses the performance of the operating segments based on a measure of adjusted EBITDA. Adjusted EBITDA is before non-cash lease contracts, non-cash pension charge and exceptional items. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management incentive plans, onerous contracts and other charges/income. The non-cash lease contracts credit included in the income statement during the year is in respect of the unfavourable lease fair value adjustment which arose on acquisition of eircom Limited. The non-cash pension charge is determined based on the difference between the charge determined under IAS 19 and employer contributions payable in respect of the financial year. Interest costs on borrowings are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the borrowings position of the group.

Sales between segments for telecommunication services are carried out on an arm's length basis. Other recharges in respect of non-telecommunication services are based on actual cost of employee remuneration or other external costs incurred. The revenue from external parties reported to the SMT is measured in a manner consistent with that in the group income statement.

The segment results for the year ended 30 June 2016 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported[2] €m	IFRS 11 €m	Published[2] €m
Revenue	**995**	**358**	**(43)**	**1,310**	**(16)**	**1,294**
Adjusted EBITDA [1]	**430**	**70**	**-**	**500**	**(9)**	**491**
Non-cash lease contracts	**8**	**-**	**-**	**8**	**-**	**8**
Non-cash pension charge	**(15)**	**-**	**-**	**(15)**	**-**	**(15)**
Amortisation	**(63)**	**(25)**	**-**	**(88)**	**-**	**(88)**
Depreciation	**(260)**	**(27)**	**-**	**(287)**	**7**	**(280)**
Exceptional items (Note 8)	**(67)**	**(1)**	**-**	**(68)**	**-**	**(68)**
Profit on disposal of PPE	**7**	**-**	**-**	**7**	**-**	**7**
Operating profit	**40**	**17**	**-**	**57**	**(2)**	**55**
Finance costs				**(226)**	**-**	**(226)**
Share of profit of investments accounted for using the equity method				**-**	**2**	**2**
Loss before income tax				**(169)**	**-**	**(169)**
Income tax credit				**11**	**-**	**11**
Loss for the financial year				**(158)**	**-**	**(158)**

[1] *Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension charge, non-cash lease contracts, exceptional items and profit on disposal of property, plant and equipment.*

[2] *Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The published basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis.*

6. Segment information – continued

The segment results for the year ended 30 June 2015 are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported[(2)] €m	IFRS 11 €m	Published[(2)] €m
Revenue	959	352	(46)	1,265	(16)	1,249
Adjusted EBITDA [(1)]	423	58	-	481	(9)	472
Non-cash lease contracts	9	-	-	9	-	9
Non-cash pension charge	(11)	-	-	(11)	-	(11)
Amortisation	(30)	(23)	-	(53)	-	(53)
Depreciation	(247)	(24)	-	(271)	7	(264)
Exceptional items (Note 8)	(30)	(1)	-	(31)	-	(31)
Profit on disposal of PPE	1	-	-	1	-	1
Operating profit	115	10	-	125	(2)	123
Finance costs				(228)	1	(227)
Share of profit of investments accounted for using the equity method				-	1	1
Loss before income tax				(103)	-	(103)
Income tax credit				8	-	8
Loss for the financial year				(95)	-	(95)

(1) *Adjusted EBITDA is earnings before interest, taxation, amortisation, depreciation, non-cash pension charge, non-cash lease contracts, exceptional items and profit on disposal of property, plant and equipment.*

(2) *Reported EBITDA includes the results of the group's joint ventures on a proportionate basis. The published basis includes the results of the group's joint ventures using the equity accounting basis rather than on a proportionate consolidation basis.*

Other segment items included in the income statement are as follows:

	Year ended 30 June 2015			Year ended 30 June 2016		
	Fixed line €m	Mobile €m	Group €m	**Fixed line €m**	**Mobile €m**	**Group €m**
Impairment of trade receivables (Note 19)	9	2	11	**7**	**2**	**9**
Reversal of trade receivable impairments (Note 19)	(1)	-	(1)	**(1)**	**-**	**(1)**
Impairment of inventory (Note 18)	-	-	-	**1**	**-**	**1**

6. Segment information – continued

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2016			
	Fixed line €m	**Mobile €m**	**Unallocated €m**	**Group €m**
Assets	**2,158**	**341**	**8**	**2,507**
Liabilities	**938**	**146**	**2,205**	**3,289**
Capital expenditure:				
Intangible assets (Note 13)	**57**	**14**	**-**	**71**
Property, plant and equipment (Note 14)	**189**	**25**	**-**	**214**

	30 June 2015			
	Fixed line €m	**Mobile €m**	**Unallocated €m**	**Group €m**
Assets	2,239	365	9	2,613
Liabilities	992	171	2,177	3,340
Capital expenditure:				
Intangible assets (Note 13)	34	7	-	41
Property, plant and equipment (Note 14)	201	38	-	239

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, inventories, receivables and operating cash. They exclude taxation, investments and derivatives.

Segment liabilities comprise operating liabilities, retirement benefit liability and provisions for liabilities and other charges. They exclude items such as taxation, borrowings, interest payable and derivatives.

Capital expenditure comprises additions to intangible assets (Note 13) and property, plant and equipment (Note 14).

Geographical information
The group is domiciled in the Republic of Ireland. The group operates in two countries, Republic of Ireland and the United Kingdom, though substantially all of the group's revenues arise in the Republic of Ireland. For the purposes of the geographical allocation of revenue, the group identifies revenues earned by entities operating in each country. Total revenue of the group for the current year is €1,294 million (30 June 2015: €1,249 million) of which €1,256 million (30 June 2015: €1,210 million) was earned by group entities operating in the Republic of Ireland and €38 million (30 June 2015: €39 million) was earned by group entities operating in the United Kingdom. Total non-current assets of the group, other than investments, derivatives and deferred tax assets as at year end are €2,107 million (30 June 2015: €2,169 million), of which €2,099 million were located in the Republic of Ireland (30 June 2015: €2,159 million) and €8 million were located in the United Kingdom (30 June 2015: €10 million).

7. Operating costs

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Staff costs:		
Wages and salaries	242	**246**
Social insurance costs	12	**12**
Pension costs – defined contribution plans (Note 34)	4	**4**
Pension costs – defined benefit plans (Note 34)	26	**29**
	284	**291**
Staff costs capitalised	(73)	**(70)**
Net staff costs included in operating costs (a)	211	**221**
Other operating costs:		
Amounts paid and payable to telecommunications operators	128	**128**
Purchase of goods for resale, commission and related costs	143	**166**
Materials and services	10	**17**
Other network costs	12	**12**
Accommodation	101	**94**
Sales and marketing	72	**71**
Customer services	40	**42**
Transport and travel	12	**11**
IT costs	23	**22**
Provision for impaired receivables	10	**8**
Other costs	17	**18**
Total other operating costs	568	**589**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	779	**810**
Amortisation (Note 13)	53	**88**
Depreciation of property, plant & equipment (Note 14)	264	**280**
Exceptional items (Note 8)	31	**68**
Total operating costs	1,127	**1,246**
Profit on disposal of property, plant and equipment (Note 9)	(1)	**(7)**
Total operating costs (net)	1,126	**1,239**

(a) Operating costs are stated after charging:

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Staff costs	284	**291**
Exceptional restructuring programme costs (Note 8)	-	**27**
Exceptional management incentive plan (Note 8)	12	**5**
Total staff costs	296	**323**
Staff costs capitalised	(73)	**(70)**
Total staff costs (net of staff costs capitalised)	223	**253**
Research costs	1	**-**
Hire of plant and machinery	3	**3**
Other operating lease rentals	52	**47**

7. Operating costs – continued

(b) Auditor's remuneration

Remuneration (including expenses) of the auditors for the statutory audit of the group financial statements and other services to the group is as follows:

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Statutory audit of group financial statements	0.7	**0.6**
Other assurance services	1.7	**1.2**
Tax advisory services	-	**-**
Other non-audit services	1.3	**0.3**
Total services	3.7	**2.1**

(c) **Directors remuneration**

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Emoluments	1.7	**2.4**
Gain on exercise of share options during the year	-	**-**
Benefits under long term incentive schemes	0.6	**-**
Contributions to retirement benefits schemes:		
- defined contributions	0.1	**0.1**
Compensation for loss of office and other termination payments	9.8	**-**
	12.2	**2.5**

As of 30 June 2016, retirement benefits are accruing to 2 Directors (30 June 2015: 1 Director) under a defined contribution scheme.

Benefits under long term incentive schemes are in respect of services performed by Directors' over a period which exceeds one year.

The compensation for loss of office in the year ended 30 June 2015 includes an €8.0 million payment for acquiring vested shares in eircom MEP S.A. eircom MEP S.A. is the Management Incentive Plan entity that holds shares in eircom HoldCo S.A.

8. Exceptional items

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Restructuring programme costs (a)	-	**27**
Management incentive plan (b)	12	**5**
Re-branding and other strategic review costs (c)	14	**18**
Other exceptional items (d)	5	**18**
Exceptional charge	31	**68**

(a) Restructuring programme costs
The group included an exceptional charge of €27 million for restructuring programme costs in respect of staff exits in the year ended 30 June 2016. The exceptional charge reflects those staff who had either exited the business, or were committed to exiting the business at 30 June 2016. No provision has been included in respect of future staff exits not committed at 30 June 2016, and any further costs will be charged to the income statement and impact cash flows in future periods.

The charge of €27 million at 30 June 2016 includes an IAS 19 (Revised) defined benefit pension charge in relation to past service costs of €2 million.

(b) Management incentive plan
During the year ended 30 June 2015, the group recognised a charge of €1 million in its income statement in respect of its obligations in connection with potential debt value events prior to the amendment in December 2014. For further information see Note 39(a).

The group recognised a charge of €5 million (30 June 2015: €11 million) in its income statement in the year ended 30 June 2016, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the holding company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment.

(c) Re-branding and other strategic review costs
The group recognised an exceptional charge of €16 million for re-branding costs and €2 million for strategic review costs incurred in the year ended 30 June 2016.

During the year ended 30 June 2015, the group recognised an exceptional charge of €14 million in respect of strategic review costs.

(d) Other exceptional items
The group recognised exceptional charges of €21 million in the year ended 30 June 2016 in respect of onerous lease contracts and other exceptional costs which were partially offset by exceptional credits of €3 million, comprised of €2 million credit as a result of the release of dilapidation provisions in respect of Telephone House that were carried forward at the start of the year and €1 million credit in respect of a legal related matter.

During the year ended 30 June 2015, the group recognised an exceptional charge of €12 million in respect of certain legal matters arising in the period which were partially offset by exceptional credits of €7 million reflecting the release of provisions carried forward at the start of the year.

9. Profit on disposal of property, plant and equipment

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Profit on disposal of property, plant and equipment	1	**7**
	1	**7**

10. Finance costs - net

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	127	**128**
Payment-in-kind ("PIK") interest charge on borrowings	1	**-**
Interest amortisation on non-current borrowings	50	**28**
Net interest cost on net pension liability	11	**11**
Capitalised interest on property, plant and equipment	(1)	**-**
Amortisation of debt issue costs on bank loans and amend and extend fees	3	**4**
Other unwinding of discount	2	**2**
Amortisation of 'Cash Flow Hedge Reserve' derivatives	-	**2**
Fair value movements on derivatives not qualifying for hedge accounting	2	**11**
	195	**186**
Loss on extinguishment of debt	32	**12**
Cost on redemption of 9.25% Senior Secured Notes	-	**16**
Write off of debt issue costs and amend and extend fees	-	**9**
Revolving credit facility arrangement fee and other fees	-	**3**
	227	**226**
(b) Finance income:		
Interest income	-	**-**
	-	**-**
Finance costs – net	227	**226**

On 11 June 2015, the group effected an amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The new and amended Facility B3 borrowings are subject to cash-pay interest at Euribor plus 4.5% margin. The €238 million mandatory prepayment of Facility B1 and B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €32 million in the income statement. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39.

In June 2016, the group issued €500 million in Senior Secured Notes, with a maturity date of 31 May 2022. The Notes are subject to fixed rate cash-pay interest at 4.5% payable in semi-annual instalments in May and November each year. The proceeds of €500 million were used to fully repay the €350 million 9.25% Senior Secured Notes due 2020 and partly finance the repayment of the non-extending Facility B2 borrowings. The 9.25% Senior Secured Notes were redeemed in full by the group at a redemption price of 104.625%, as per the terms for optional redemption set out in the indenture, resulting in a charge to the income statement of €16 million. The group fully repaid the non-extending Facility B2 borrowings of €159 million on 20 June 2016. The prepayment of Facility B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €12 million in the income statement within 'finance costs'.

Also during the year the group entered into a €150 million revolving credit facility which was undrawn at 30 June 2016.

See Note 23 for further information.

11. Income tax credit

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
(a) **Recognised in the income statement**		
Current tax expense		
Current financial period	9	**2**
Adjustments for prior periods	(14)	**(1)**
	(5)	**1**
Deferred tax expense		
Origination and reversal of temporary difference	(3)	**(12)**
Adjustments for prior periods	-	**-**
	(3)	**(12)**
Total income tax credit in income statement	(8)	**(11)**

The €14 million adjustment for prior periods recognised during the year ended 30 June 2015 relates to the reversal of amounts previously charged to reflect the effect of uncertain tax treatments.

The tax credit for the year ended 30 June 2016 includes a credit of €7 million (30 June 2015: €1 million) in respect of exceptional items (see Note 8).

(b) **Reconciliation of effective tax rate**
The tax on the group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated companies as follows:

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Loss before tax	(103)	**(169)**
Tax calculated at Irish tax rates	(13)	**(21)**
Effects of:-		
Other non deductible expenses	19	**11**
Income taxable at higher rate	1	**1**
Utilisation of losses carried forward	(1)	**(1)**
Adjustments in respect of prior periods	(14)	**(1)**
Tax credit for financial period (Note 11(a))	(8)	**(11)**

The weighted average applicable tax rate was 12.5% (30 June 2015: 12.5%).

12. Goodwill

	30 June 2015 €m	30 June 2016 €m
Cost		
At beginning of financial period	734	**734**
Arising on acquisition of subsidiary (Note 40)	-	**20**
At end of financial period	734	**754**
Accumulated impairments		
At beginning of financial period	(542)	**(542)**
Recognised during the financial period	-	**-**
At end of financial period	(542)	**(542)**
Net book value at end of financial period	192	**212**

Goodwill and indefinite life intangible assets are not subject to amortisation. Instead, goodwill and indefinite life intangible assets are tested for impairment annually as part of the cash generating unit ("CGU") to which they relate, and are carried at cost less accumulated impairment losses.

On 1 April 2016, the group acquired 100% of the share capital of Setanta Sports Channel Ireland Limited (a company incorporated in Ireland) as well as the Irish residential subscriber business and assets of Setanta Sports Hibernia Sàrl (together "Setanta Sports Ireland"). The group recognised goodwill of €20 million on the acquisition of Setanta Sports Ireland.

Goodwill arising on the acquisition of Setanta Sports Ireland in April 2016 was allocated to the group's CGUs as follows:

	Acquisition Date €m
Fixed Line	20
Mobile	-

The group's goodwill carried forward from prior years relates to the acquisition of eircom Limited in June 2012, pursuant to a Scheme of Arrangement of creditors approved by the High Court. eircom Holdings (Ireland) Limited acquired 100% of the share capital of eircom Limited for consideration of €1.

Goodwill arising on the acquisition of eircom Limited in June 2012 was allocated to the group's CGUs as follows:

	Acquisition Date €m
Fixed Line	836
Mobile	-

The recognition of the assets of the Fixed Line and Mobile CGUs was measured as at 11 June 2012 based on their fair values, as required by IFRS 3, *Business Combinations*, except for the defined benefit pension obligation which was measured under IAS 19, *Employee Benefits,* and deferred tax which was measured under IAS 12, *Income Taxes*. Goodwill of €836 million was recognised as the difference between the purchase consideration and the fair value of the individual assets and liabilities at the date of acquisition, 11 June 2012. Goodwill was allocated to the group's cash generating units, Fixed Line and Mobile, based on the allocation of net assets and liabilities acquired and purchase consideration to each CGU, based on the factors giving rise to the goodwill. These include eircom's market position in the Irish telecommunications industry. The goodwill also arises in part because eircom Limited was acquired for a nominal amount pursuant to the Scheme of Arrangement and because the pension obligation and the deferred tax balances were recognised in accordance with the measurement requirements of IAS 19 and IAS 12 respectively and not at fair value. No goodwill was allocated to the Mobile CGU.

In the financial year ended 30 June 2013, eircom Limited sold its 100% shareholding in eircom Phonewatch Limited and as a result recognised disposal of goodwill of €102 million in the year.

An impairment test of the Fixed Line CGU was performed as of 30 June 2012 in accordance with IAS 36, *Impairment of Assets*. The group identified an impairment of €542 million of the goodwill related to the Fixed Line CGU.

12. Goodwill - continued

An impairment test of the Fixed Line CGU was performed as of 30 June 2015. No impairment was identified.

An impairment test of the Fixed Line CGU has been undertaken as of 30 June 2016. No impairment has been identified.

Any adverse changes in a key assumption underpinning the fair value less costs to sell calculation as at 30 June 2016 may cause a further impairment loss to be recognised in future periods.

Impairment test of Fixed Line CGU as at 30 June 2016
An impairment test of the Fixed Line CGU was performed as at 30 June 2016 in accordance with IAS 36, *Impairment of Assets*. The impairment test has been undertaken at the year end date. Tangible and intangible assets are an integrated part of the CGU carrying values and are tested together with the goodwill.

An impairment test of the Fixed Line CGU is required annually as it contains goodwill. An impairment test of the Mobile CGU is not required as at 30 June 2016 as the group held no Mobile intangible assets not yet available for use for which the recoverable amount could not be estimated on an individual asset basis. The Directors concluded that there was no indicator of impairment and consequently no test of impairment was required to be performed.

Impairment testing methodology
The recoverable amount of the CGU is determined on the basis of the higher of the fair value less costs to sell and value-in-use, using the discounted cash flow (DCF) method. Cash flows for the years beyond the approved business plans are extrapolated using the estimated long-term growth rates stated below. The cash flows are discounted using the discount rates stated below.

The impairment test was based on fair value less costs to sell which is higher than value in use because of the investment in infrastructure development required by the group's CGU. The cash flows and assumptions used as of 30 June 2016 for the impairment test are consistent with the assumptions that would be made by a market participant acquiring the CGU.

Key assumptions
The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of fair value less costs to sell include management's estimates of future operating cash-flows, capital expenditure requirements, tax considerations, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were benchmarked against external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy and consistent with the assumptions that would be used by a market participant. Adjustments are made to the business plan cashflows to take account of possible variations in the amount or timing of cashflows, which can be affected by factors such as increased competitor activity, the roll-out of new technologies and the timing of the introduction of new services, pricing trends, termination rates, customer acquisition costs, margin levels and restructuring programmes, such that the estimated cashflows reflect the range of possible outcomes for each CGU's future trading performance.

Fair Value less Costs to Sell – cash flow projections
At 30 June 2016, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2020.

At 30 June 2015, these calculations used post-tax cash flow projections based on business plans approved by the Board of Directors covering a period up to 30 June 2020.

12. Goodwill - continued

Fair Value less Costs to Sell – cash flow projections - continued
The other key assumptions used for fair value less costs to sell calculations for the Fixed Line and Mobile CGUs are as follows:

	Fixed Line 30 June 2015	Mobile 30 June 2015	Fixed Line 30 June 2016	Mobile 30 June 2016
Long-term growth rates	-0.75%	N/A	**-0.75%**	**N/A**
Discount rates (Post-tax)	7.16%	N/A	**7.16%**	**N/A**
Budgeted EBITDA[1]	-2.81%	N/A	**-2.26%**	**N/A**
Budgeted capital expenditure[2]	14%-25%	N/A	**14%-23%**	**N/A**

Notes:
[1] Budgeted EBITDA is expressed as the compound annual growth rates over the periods covered by the business plans for all cash-generating units of the plans used for impairment testing.

[2] Budgeted capital expenditure is expressed as the range of capital expenditure as a percentage of revenue (for all periods covered by the business plans plus the terminal value).

Long Term Growth Rates
The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGUs operate, and reflect an assessment of the long-term growth prospects of the sectors. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates
The discount rates used reflect specific risks relating to the CGUs. The assumptions used have been benchmarked to externally available data. The methodology is based on the Capital Asset Pricing Model (CAPM). At 30 June 2016, the yield on ten-year Irish government bonds provided the basis for the risk free rate, which was then adjusted to take account of market risks specific to the CGUs. The group has used Irish government bond yields as the basis for the risk-free rate in keeping with its observations of practices applied by external market analysts in determining appropriate weighted average costs of capital for Irish companies. In estimating the discount rate under CAPM, in addition to the risk-free rate, other inputs required are the equity market risk premium (that is the excess return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment factor known as beta is applied to reflect the risk of the specific CGU operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the group's CGUs determined using an average of the observed betas of comparable companies.

Impairment sensitivity analysis
The percentages shown in the table below represent the increase or decrease in the individual sensitivity factors that would lead to the recoverable amount equalling the carrying value of the assets.

	30 June 2016	
	Fixed Line %	Mobile %
Discount rates (post-tax) (absolute increase)	**9.41%**	**-**
Long-term growth rates (absolute decrease)	**14.80%**	**-**
Terminal business plan EBITDA (relative decrease)	**43.56%**	**-**
Terminal capital expenditure (relative increase)	**148.40%**	**-**

13. Other intangible assets

	Computer software €m	Trademarks €m	Contracts and related customer relationships €m	TV content rights €m	Licence €m	Total €m
Cost						
At 30 June 2014	225	127	47	-	195	594
Additions	41	-	-	-	-	41
At 30 June 2015	266	127	47	-	195	635
Arising on acquisition (Note 40)	**-**	**-**	**7**	**-**	**-**	**7**
Additions	**56**	**-**	**-**	**15**	**-**	**71**
Transfer from tangible assets	**6**	**-**	**-**	**-**	**-**	**6**
At 30 June 2016	**328**	**127**	**54**	**15**	**195**	**719**
Amortisation						
At 30 June 2014	76	-	47	-	24	147
Charge for the financial year	41	-	-	-	12	53
At 30 June 2015	**117**	**-**	**47**	**-**	**36**	**200**
Charge for the financial year	**55**	**19**	**1**	**1**	**12**	**88**
Transfer from tangible assets	**2**	**-**	**-**	**-**	**-**	**2**
At 30 June 2016	**174**	**19**	**48**	**1**	**48**	**290**
Net Book Value at 30 June 2016	**154**	**108**	**6**	**14**	**147**	**429**
Net Book Value at 30 June 2015	149	127	-	-	159	435

Assets in the course of completion and other intangible assets not yet available for use included in other intangibles assets are €22 million (30 June 2015: €37 million).

Computer software relates to internal and external capitalised software development costs.

The group commenced amortisation from 1 October 2015 of the Trademark (Fixed) which was assigned a five year useful life following the re-brand in September 2015. The Trademark (Fixed) had an indefinite useful life as of 30 June 2015.

14. Property, plant and equipment ("PPE")

	Land and Buildings €m	Network, Plant And Equipment €m	Total €m
Cost			
At 1 July 2014	262	1,816	2,078
Additions	3	236	239
Exchange adjustments	-	1	1
Disposals/retirements	(8)	(1)	(9)
At 30 June 2015	257	2,052	2,309
Additions	**-**	**214**	**214**
Exchange adjustments	**-**	**(1)**	**(1)**
Transfer to intangible assets	**-**	**(6)**	**(6)**
Disposals/retirements	**(8)**	**(6)**	**(14)**
At 30 June 2016	**249**	**2,253**	**2,502**
Accumulated Depreciation			
At 1 July 2014	44	477	521
Charge for financial year	19	245	264
Disposals/retirements	(2)	(1)	(3)
At 30 June 2015	61	721	782
Charge for financial year	**18**	**263**	**281**
Transfer to intangible assets	**-**	**(2)**	**(2)**
Disposals/retirements	**(4)**	**(6)**	**(10)**
At 30 June 2016	**75**	**976**	**1,051**
Net Book Value at 30 June 2016	**174**	**1,277**	**1,451**
Net Book Value at 30 June 2015	196	1,331	1,527

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value. The review for the year ended 30 June 2016 and 30 June 2015 resulted in no material adjustments to asset lives.

The group has capitalised interest costs of €Nil (30 June 2015: €1 million) that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest at 30 June 2015 was 8.03%.

Assets in the course of construction included in property, plant and equipment are €112 million (30 June 2015: €131 million).

The depreciation charged in the income statement is net of capital grants amortised during the financial year as follows:-

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Depreciation	264	**281**
Amortisation of capital grants	-	**(1)**
	264	**280**

15. Investments

(a) Investments in Joint ventures
At 30 June 2016, the group has a joint venture in Tetra Ireland Communication Limited ("Tetra"). The following tables presents, on a condensed basis, the summarised financial information of Tetra. The information disclosed reflects the amount reported in the financial statements of Tetra and not the groups share of those amounts.

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Revenue	34	**35**
Operating costs excluding depreciation	(18)	**(18)**
Depreciation	(13)	**(13)**
Operating profit	3	**4**
Finance costs – net	(1)	**-**
Profit before tax	2	**4**
Income tax charge	-	**(1)**
Profit for the financial year	2	**3**

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Profit for the financial year	2	**3**
Other comprehensive income	-	**-**
Total comprehensive income for the financial year	2	**3**

	30 June 2015 €m	30 June 2016 €m
ASSETS		
Non-current assets	26	**13**
Current assets	22	**17**
Total assets	48	**30**
LIABILITIES		
Non-current liabilities	6	**6**
Current liabilities	38	**17**
Total liabilities	44	**23**
EQUITY		
Total equity	4	**7**
Total equity	4	**7**
Total liabilities and equity	48	**30**

(b) Investments in associates
The group share of the results of its principal associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Assets €m	Liabilities €m	Revenues €m	Profit €m	Interest held %
As at and for the year ended 30 June 2016					
Altion Limited	-	-	1	-	31.3%
As at and for the year ended 30 June 2015					
Altion Limited	-	-	1	-	31.3%

16. Deferred tax asset

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Recognised deferred tax assets
Deferred tax assets are attributable to the following:

	Assets 30 June 2016 €m	**Liabilities 30 June 2016 €m**	**Net 30 June 2016 €m**
Tax loss carry forward	**3**	**-**	**3**
Property, plant and equipment	**1**	**-**	**1**
	4	**-**	**4**

	Assets 30 June 2015 €m	**Liabilities 30 June 2015 €m**	**Net 30 June 2015 €m**
Tax loss carry forward	5	-	5
Property, plant and equipment	1	-	1
	6	-	6

The movement in deferred tax assets during the year ended 30 June 2016 is as follows:

	1 July 2015 €m	**Recognised in income credit/(charge) €m**	**Recognised in other comprehensive income €m**	**30 June 2016 €m**
Tax loss carry forward	**5**	**(2)**	**-**	**3**
Property, plant and equipment	**1**	**-**	**-**	**1**
	6	**(2)**	**-**	**4**

The movement in deferred tax assets during the year ended 30 June 2015 is as follows:

	1 July 2014 €m	**Recognised in income credit/(charge) €m**	**Recognised in other comprehensive income €m**	**30 June 2015 €m**
Tax loss carry forward	5	-	-	5
Property, plant and equipment	1	-	-	1
	6	-	-	6

17. Other assets

	30 June 2015 €m	30 June 2016 €m
Deposits and other non-current assets	1	**1**
Loan advanced to holding company	14	**14**
	15	**15**

During the year ended 30 June 2015, the group advanced a loan of €14 million to the ultimate holding company, eircom Holdco SA. The loan was advanced following the decision by the Board of Directors of eircom Holdco SA to exercise a call option over vested shares in eircom Holdco SA held by departing executives through the Management Incentive Plan. The loan was used by eircom Holdco SA to repurchase the shares.

18. Inventories

	30 June 2015 €m	30 June 2016 €m
Network development and maintenance stocks	6	**10**
Consumable and other stocks	3	**2**
	9	**12**

The cost of inventories recognised as an expense and included in "operating costs" amounted to €88 million (30 June 2015: €85 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2016, the group recognised a loss for impaired inventories of €1 million (30 June 2015: €Nil), reversed previous recognised impaired inventories of €Nil (30 June 2015: €Nil), and utilised provisions for impaired inventories of €1 million (30 June 2015: €Nil). The creation and reversal of provisions for impaired inventories have been included in "operating costs" in the income statement.

19. Trade and other receivables

	30 June 2015 €m	30 June 2016 €m
Current assets:		
Trade receivables	173	**150**
Less: Provision for impairment of trade receivables	(22)	**(11)**
Trade receivables – net	151	**139**
Prepayments and accrued income	73	**73**
Tax receivable	-	**6**
Other current assets	3	**1**
Amounts due from joint ventures	5	**3**
	232	**222**

The fair values of trade and other receivables approximate to their carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of 30 June 2016, trade receivables of €12 million (30 June 2015: €22 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered.

The amount of the provision for impairment of trade receivables was €11 million as of 30 June 2016 (30 June 2015: €22 million). Total additional provisions of €9 million (30 June 2015: €11 million) relate to individual impairments of €1 million (30 June 2015: €1 million) and collective impairments of €8 million (30 June 2015: €10 million). Total reversals of unused provisions of €1 million (30 June 2015: €1 million) relate to individual impairments of €Nil (30 June 2015: €1 million) and collective impairments of €1 million (30 June 2015: €Nil).

The group uses estimates based on historical experience and customer specific information in determining the level of debts which may not be collected. The estimates include such factors as the current state of the economy and particular industry issues. The level of provision required is reviewed on an ongoing basis.

Provision for impairment of trade receivables
The following table shows the movements on the provision for impairment of trade receivables:

	30 June 2015 €m	30 June 2016 €m
At beginning of financial period	21	**22**
Charged to income statement:		
- Additional provisions	11	**9**
- Unused amounts reversed	(1)	**(1)**
Utilised in the financial year	(9)	**(19)**
At end of financial period	22	**11**

The creation and reversal of provisions for impaired receivables are included in “operating costs” in the income statement.

20. Restricted cash

The restricted cash of €10 million (30 June 2015: €8 million) is in relation to cash lodged for performance guarantees of €7 million (30 June 2015: €6 million) and €3 million (30 June 2015: €2 million) security in respect of ancillary facilities. The interest earned on these deposits, after deduction of any taxation payable, is due to the group.

Performance guarantees
Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. At 30 June 2016, these include €2 million (30 June 2015: €3 million) in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €3 million (30 June 2015: €3 million) in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO") and €2 million (30 June 2015: €Nil) in relation to other obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €10 million (30 June 2015: €8 million).

21. Cash and cash equivalents

	30 June 2015 €m	30 June 2016 €m
Cash at bank and on hand	186	**22**
Short-term bank deposits	-	**126**
Cash and cash equivalents	186	**148**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2016, the effective interest rate on short term bank deposits was -0.0023%. These deposits had a weighted average maturity of 17 days.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

22. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per balance sheet	**Assets at fair value through profit or loss**	**Loans and receivables**	**Total**
	€m	**€m**	**€m**
Other assets	**-**	**14**	**14**
Trade receivables	**-**	**139**	**139**
Other current assets	**-**	**1**	**1**
Amounts due from joint ventures	**-**	**3**	**3**
Restricted cash	**-**	**10**	**10**
Cash and cash equivalents	**-**	**148**	**148**
At 30 June 2016	**-**	**315**	**315**
Derivative financial instruments	1	-	1
Other assets	-	14	14
Trade receivables	-	151	151
Other current assets	-	3	3
Amounts due from joint ventures	-	5	5
Restricted cash	-	8	8
Cash and cash equivalents	-	186	186
At 30 June 2015	1	367	368

Liabilities as per balance sheet	**Liabilities at fair value through profit or loss**	**Loans and other liabilities**	**Total**
	€m	**€m**	**€m**
Borrowings	**-**	**2,140**	**2,140**
Derivative financial instruments	**13**	**-**	**13**
Trade payables	**-**	**149**	**149**
Interest payable	**-**	**5**	**5**
Accruals	**-**	**179**	**179**
TIS Liabilities	**-**	**18**	**18**
At 30 June 2016	**13**	**2,491**	**2,504**
Borrowings	-	2,106	2,106
Derivative financial instruments	4	-	4
Trade payables	-	164	164
Interest payable	-	9	9
Accruals	-	177	177
TIS Liabilities	-	24	24
At 30 June 2015	4	2,480	2,484

22. Financial instruments by category – continued

Fair value hierarchy
The table below shows for the group's financial assets and liabilities that are recognised and subsequently measured at fair value their classification within a three-level fair value hierarchy.

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets at the balance sheet date. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3 comprises financial assets and liabilities valued using techniques where the impact of the non-observable market data is significant in determining the fair value of the instrument. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

Financial assets held at fair value	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**	**Total €m**
Derivative financial instruments	**-**	**-**	**-**	**-**
At 30 June 2016	**-**	**-**	**-**	**-**
Derivative financial instruments	-	1	-	1
At 30 June 2015	-	1	-	1

Financial liabilities held at fair value	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**	**Total €m**
Derivative financial instruments	**-**	**13**	**-**	**13**
At 30 June 2016	**-**	**13**	**-**	**13**
Derivative financial instruments	-	4	-	4
At 30 June 2015	-	4	-	4

23. Borrowings

	Carrying Value		Fair Value	
	30 June 2015 €m	**30 June 2016 €m**	**30 June 2015 €m**	**30 June 2016 €m**
Non-current liabilities				
Bank borrowings (Facility B2/B3)	2,022	**1,863**	1,992	**1,844**
Unamortised fair value difference on borrowings	(235)	**(196)**	-	**-**
Amend and extend fees	(22)	**(18)**	-	**-**
	1,765	**1,649**	1,992	**1,844**
9.25% Senior Secured Notes due 2020	350	**-**	383	**-**
4.5% Senior Secured Notes due 2022	-	**500**	-	**499**
Debt issue costs	(9)	**(9)**	-	**-**
	341	**491**	383	**499**
Total Borrowings	2,106	**2,140**	2,375	**2,343**

Bank borrowings (Facility B2 & B3)
At 30 June 2016, the group has Senior Bank borrowings (Facility B3) of €1,863 million, with a maturity date of 31 May 2022. The borrowings are subject to a Senior Facilities Agreement, which, amongst other things, requires the eircom Holdings (Ireland) Limited Group to comply with financial covenants on a quarterly basis. Further details of these financial covenants are set out in Note 2 to the financial statements.

The borrowings under the Senior Facilities Agreement were recognised initially in accordance with IAS 39 at their fair value on the date of recognition, 11 June 2012, which was estimated to be 77% of the par value of the liability. The difference between the fair value on initial recognition and the amount that was payable on the maturity date is being amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39. The remaining unamortised amount at 30 June 2016 was €196 million.

On 4 April 2014, the group effected an amendment and extension of the terms of 94.7% of the outstanding principal under its Facility B bank borrowings. On 11 June 2015, the group effected a further amendment and extension of its Facility B bank borrowings with 92% of the outstanding principal extended to May 2022. New proceeds of €238 million borrowed under Facility B3 were used to fully repay non-extending Facility B1 borrowings and partially repay non-extending Facility B2 borrowings at par. The Facility B3 borrowings of €1,863 million are subject to cash-pay interest at Euribor plus 4.5% margin. The €238 million mandatory prepayment of Facility B1 and B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €32 million in the income statement within 'finance costs'. The amendment and extension of the existing borrowings was accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39.

During July 2015, the group entered into new borrowing arrangements for €2,367 million, which were drawndown and subsequently repaid in full in the context of a corporate reorganisation within the eircom Holdings (Ireland) Limited Group as described in Note 1. The transaction had no impact on the measurement or recognition of the pre-existing borrowings of the consolidated group. No gain or loss arose on the repayment of borrowings in the group financial statements and the pre-existing borrowings were not modified or otherwise affected. eircom Limited (Ireland), the principal operating company of the group, effected a transfer of its business assets and liabilities to a fellow subsidiary of the group, eircom Limited (Jersey), a company incorporated in Jersey. The internal corporate reorganisation was undertaken following receipt of the required consents from noteholders and lenders under the Senior Facilities Agreement.

The group fully repaid the non-extending Facility B2 borrowings of €159 million on the 20 June 2016. The group undertook a permitted bond refinancing in June 2016 and part of the proceeds from the €500 million 4.5% Senior Secured Notes were used to repurchase €159 million of Facility B2 principal due and outstanding under the Senior Facilities Agreement. The prepayment of Facility B2 borrowings was accounted for as an extinguishment under IAS 39 resulting in an accounting loss of €12 million in the income statement within 'finance costs'.

23. Borrowings – continued

Senior Secured Notes
During the year ended 30 June 2016, the group issued €500 million in Senior Secured Notes with a maturity date of 31 May 2022. The Notes were issued by the group's wholly owned subsidiary, eircom Finance DAC. The Notes rank equally in priority of payment with the existing borrowings subject to the Senior Facilities Agreement. The Notes are subject to fixed rate cash-pay interest at 4.5% payable in semi-annual instalments in May and November each year. The proceeds of €500 million were used to fully repay the €350 million 9.25% Senior Secured Notes and partly finance the repayment of the non-extending Facility B2 borrowings. Total costs directly attributable to the transaction incurred by the group were €9 million.

Transaction costs are initially deferred and are subsequently amortised over the expected life of the borrowings through finance costs in the income statement using the effective interest method under IAS 39.

Fair values
The fair value of borrowings are determined by reference to quoted market prices in active markets at the balance sheet date (classified as level 1 in the fair value hierarchy).

Maturity of financial borrowings
The maturity profile of the carrying amount of the group's borrowings is set out below:

	Within 1 Year €m	Between 1 & 2 Years €m	Between 2 & 5 Years €m	After 5 Years €m	Total €m
Bank borrowings (Facility B)	-	-	-	**1,863**	**1,863**
Unamortised fair value difference on borrowings	-	-	-	**(196)**	**(196)**
Amend and extend fees	-	-	-	**(18)**	**(18)**
	-	-	-	**1,649**	**1,649**
4.5% Senior Secured Notes due 2022	-	-	-	**500**	**500**
Debt issue costs	-	-	-	**(9)**	**(9)**
	-	-	-	**491**	**491**
At 30 June 2016	-	-	-	**2,140**	**2,140**
Bank borrowings (Facility B)	-	-	159	1,863	2,022
Unamortised fair value difference on borrowings	-	-	(18)	(217)	(235)
Amend and extend fees	-	-	(2)	(20)	(22)
	-	-	139	1,626	1,765
9.25% Senior Secured Notes due 2020	-	-	350	-	350
Debt issue costs	-	-	(9)	-	(9)
	-	-	341	-	341
At 30 June 2015	-	-	480	1,626	2,106

Borrowing facilities
During the year ended 30 June 2016, the group entered into a €150 million revolving credit facility, which was undrawn at 30 June 2016.

Currency
All of the group's borrowings are denominated in euro.

24. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2015 €m	**30 June 2016 €m**	**30 June 2015 €m**	**30 June 2016 €m**
Non-current assets				
Interest rate swaps – ineligible for hedge accounting	1	**-**	1	**-**
Total assets	1	**-**	1	**-**
Non-current liabilities				
Interest rate swaps – ineligible for hedge accounting	2	**7**	2	**7**
Current liabilities				
Interest rate swaps – ineligible for hedge accounting	2	**6**	2	**6**
Total liabilities	4	**13**	4	**13**

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps –ineligible for hedge accounting
In November 2014, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1,200 million for a period of three years from 11 June 2015. The fixed interest rate on the swaps was between 0.093% and 0.105% and the floating rate was based on Euribor. These swaps replaced the previous three year swaps which expired on 11 June 2015. On initial recognition, the interest rate swaps were designated as cash flow hedges in accordance with IAS 39.

On 11 June 2015, the group effected an amendment and extension of the terms of its Facility B borrowings and the 'Amendment and Restatement' included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities. There is no corresponding floor in the group's interest rate swaps. Therefore if EURIBOR is negative, the swaps will not have the effect of hedging the group's exposure to interest rate risk. Accordingly, the group's interest rate swaps ceased to meet the criteria for hedge accounting under IAS 39 on that date. The fair value of these derivatives are recognised immediately in the income statement.

The unrealised loss recognised in the income statement during the year that arises from derivatives ineligible for hedge accounting is €11 million (30 June 2015: €2 million). These amounts have been classified in the income statement within 'finance costs'.

25. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Unused tax losses for which no deferred tax asset has been recognised were €33 million at 30 June 2016 (30 June 2015: €Nil), which would equate to a potential tax benefit of €4 million at the standard Irish corporation tax rate of 12.5%. The losses were incurred by a subsidiary undertaking which was acquired during the year.

Recognised net deferred tax liabilities

Net deferred tax liabilities are attributable to the following

	Assets 30 June 2016 €m	Liabilities 30 June 2016 €m	Net 30 June 2016 €m
Intangibles	**-**	**(18)**	**(18)**
Property, plant and equipment	**-**	**(86)**	**(86)**
Deferred revenues	**1**	-	**1**
Leases	**13**	-	**13**
Pensions	**43**	-	**43**
	57	**(104)**	**(47)**

	Assets 30 June 2015 €m	Liabilities 30 June 2015 €m	Net 30 June 2015 €m
Intangibles	-	(20)	(20)
Property, plant and equipment	-	(95)	(95)
Deferred revenues	1	-	1
Leases	14	-	14
Provisions	1	-	1
Pensions	53	-	53
	69	(115)	(46)

The movement in net deferred tax liabilities was as follows:

	1 July 2015 €m	Arising on acquisition €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2016 €m
Intangibles	**(20)**	**(1)**	**3**	**-**	**(18)**
Property, plant and equipment	**(95)**	**-**	**9**	**-**	**(86)**
Deferred revenues	**1**	**-**	**-**	**-**	**1**
Leases	**14**	**-**	**(1)**	**-**	**13**
Provisions	**1**	**-**	**(1)**	**-**	**-**
Pensions	**53**	**-**	**4**	**(14)**	**43**
	(46)	**(1)**	**14**	**(14)**	**(47)**

	1 July 2014 €m	Reclass from corporation tax €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2015 €m
Intangibles	(20)	-	-	-	(20)
Property, plant and equipment	(101)	-	6	-	(95)
Deferred revenues	1	-	-	-	1
Leases	15	-	(1)	-	14
Provisions	3	1	(3)	-	1
Pensions	49	-	1	3	53
	(53)	1	3	3	(46)

26. Provisions for other liabilities and charges

	TIS Annuity Scheme €m	Onerous Contracts €m	Asset Retirement Obligations €m	MIP Debt Value €m	Other €m	Total €m
Balance at 1 July 2014	32	13	54	26	53	178
Charged to consolidated income statement:						
- Additional provisions	-	-	-	1	3	4
- Unused amounts reversed	-	(2)	-	-	(4)	(6)
- Unwinding of discount	-	-	1	-	-	1
Transfer to receivables	-	-	-	-	3	3
Reclassification to equity of MIP debt value	-	-	-	(27)	-	(27)
Increase in provision capitalised as asset retirement obligation	-	-	1	-	-	1
Utilised in the financial year	(8)	(3)	-	-	(10)	(21)
At 30 June 2015	24	8	56	-	45	133

	TIS Annuity Scheme €m	Onerous Contracts €m	Asset Retirement Obligations €m	Deferred consideration €m	Other €m	Total €m
Balance at 1 July 2015	**24**	**8**	**56**	**-**	**45**	**133**
Arising on acquisition (Note 40)	**-**	**-**	**-**	**3**	**-**	**3**
Charged to consolidated income statement:						
- Additional provisions	**-**	**19**	**1**	**-**	**2**	**22**
- Unused amounts reversed	**-**	**(2)**	**-**	**-**	**(2)**	**(4)**
- Unwinding of discount	**-**	**-**	**1**	**-**	**-**	**1**
Transfer to receivables	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Increase in provision capitalised as asset retirement obligation	**-**	**-**	**3**	**-**	**-**	**3**
Utilised in the financial year	**(6)**	**(1)**	**(1)**	**-**	**(5)**	**(13)**
At 30 June 2016	**18**	**24**	**60**	**3**	**37**	**142**

Provisions have been analysed between current and non-current as follows:

	30 June 2015 €m	30 June 2016 €m
Non-current	101	**108**
Current	32	**34**
	133	**142**

26. Provisions for other liabilities and charges - continued

Temporary income stream ("TIS") annuity scheme
The eircom Limited group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The group estimates the annuity liability as the present value of the fixed payment stream due to employees. At 30 June 2016, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of six years.

Onerous Contracts
The group has onerous contracts associated with vacant offices and leasehold properties, arising principally from operational restructurings. The group also has onerous contracts associated with ongoing data centre operations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflects current economic conditions and judgements in respect of sub lease income on certain properties. If the group were unable to sublet the properties for the duration of the lease an additional provision of €0.2 million would be required in the financial statements. The group also has onerous contracts in relation to the settlement of certain legal matters. At 30 June 2016, the liabilities are expected to be discharged over a period of one to four years.

Asset Retirement Obligations
The group has provisions for costs arising from certain obligations in relation to the retirement and decommissioning of assets, mainly certain poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2017 to 2025, and these anticipated cash flows are discounted using a real rate of return of between 2% and 4%.

Debt value management incentive plan
The management incentive plan ("MIP") introduced in the year ended 30 June 2013 by the group's holding company, eircom Holdco SA, for certain directors and senior executives in the group incentivised the participants to deliver maximum returns to shareholders on a sale or other form of exit, and to achieve full repayment of the group's borrowings under the Senior Facilities Agreement ("a debt value event"). In December 2014, the shareholders of eircom Holdco S.A. elected to simplify the structure by removing the debt related elements of the plan and thereby aligning the returns to the participants with the returns to the shareholders.

The group recognised a charge of €1 million in respect of its obligations in connection with potential debt value events prior to the amendment in December 2014. Following the amendment, the group reclassified the cumulative debt value event liability of €27 million to equity in the year ended 30 June 2015.

Deferred consideration
The deferred consideration arrangement arising on the business combination requires the group to make a payment of €3 million to the former owners of Setanta Sports Channel Ireland Limited following the acquisition of the subsidiary undertaking by the group on 1 April 2016. The liability will become due on 1 October 2018, subject to warranties set out in the Share Purchase Agreement.

Other
The group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to 30 June 2016, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled. The group also has provisions for costs arising from certain compliance matters.

27. Trade and other payables

	30 June 2015 €m	30 June 2016 €m
Non-current liabilities: -		
Unfavourable lease contracts arising on acquisition	102	**93**
Trade payables	50	**54**
	152	**147**
Current liabilities: -		
Unfavourable lease contracts arising on acquisition	9	**8**
Trade payables	124	**114**
Interest payable	9	**5**
Other tax and social insurance payable	37	**40**
Accruals	177	**179**
Deferred income	105	**108**
	461	**454**

The carrying amounts of trade payables are denominated in the following currencies:

	30 June 2015 €m	30 June 2016 €m
Euro	170	**164**
Sterling	2	**3**
US dollar	2	**1**
	174	**168**

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

28. Share Capital
The share capital at 30 June 2016 and 30 June 2015 is set out below:-

As at 30 June 2016 and 30 June 2015				
Authorised			**Issued –presented as equity**	
Number and Class of Share	**Amount €**	Nominal Value per Share	Number and Class of Share	**Amount €**
10,000,000 Ordinary shares	10,000,000	€1.00 each	2 Ordinary shares	2
Equity share capital	**10,000,000**		**Equity share capital**	**2**

There were no alterations to the issued share capital of eircom Holdings (Ireland) Limited during the year ended 30 June 2016.

Rights attaching to the ordinary shares are as follows:
The Ordinary Shares carry the right to receive notice of, attend and vote at, general meetings of the Company. The Ordinary shares carry the right to receive dividends as and when declared by the Directors. On a winding-up of the Company the Ordinary shares carry the right to share in any surplus assets of the Company.

29. Reconciliation of total shareholders' equity

	Equity share capital €m	**Capital Contribution €m**	**Cash flow hedging reserve €m**	**Retained earnings /(loss) €m**	**Total equity €m**
Balance at 30 June 2014	-	9	(1)	(655)	(647)
Loss for the financial year	-	-	-	(95)	(95)
Defined benefit pension scheme remeasurement losses	-	-	-	(27)	(27)
Tax on defined benefit pension scheme remeasurement losses	-	-	-	3	3
Cash flow hedges:					
- Fair value gain in year	-	-	1	-	1
Currency translation differences	-	-	-	1	1
Capital contribution in respect of MIP equity value event	-	11	-	-	11
Reclassification to equity of MIP debt value event provision	-	27	-	-	27
Dividends relating to equity shareholders	-	-	-	(1)	(1)
Balance at 30 June 2015	**-**	**47**	**-**	**(774)**	**(727)**
Loss for the financial year	**-**	**-**	**-**	**(158)**	**(158)**
Defined benefit pension scheme remeasurement gain	**-**	**-**	**-**	**112**	**112**
Tax on defined benefit pension scheme remeasurement gain	**-**	**-**	**-**	**(14)**	**(14)**
Cash flow hedges:					
- Fair value gain in year	**-**	**-**	**2**	**-**	**2**
Currency translation differences	**-**	**-**	**-**	**(1)**	**(1)**
Capital contribution in respect of MIP equity value event	**-**	**5**	**-**	**-**	**5**
Dividends relating to equity shareholders	**-**	**-**	**-**	**(1)**	**(1)**
Balance at 30 June 2016	**-**	**52**	**2**	**(836)**	**(782)**

30. Cash generated from operations
Reconciliation of consolidated operating profit to net cash inflow from operating activities:

a) Cash generated from operations

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Loss after taxation	(95)	**(158)**
Addback:		
Income tax credit	(8)	**(11)**
Share of profit of joint venture	(1)	**(2)**
Finance costs – net	227	**226**
Operating profit	123	**55**
Adjustments for:		
- Profit on disposal of property, plant and equipment	(1)	**(7)**
- Depreciation, amortisation and impairment of property, plant & equipment	317	**368**
- Non cash lease contracts	(9)	**(8)**
- Non cash retirement benefit charge	11	**15**
- Restructuring programme costs	-	**27**
- Other non cash exceptional items	11	**19**
- Other non cash movements in provisions	1	**2**
Cash flows relating to restructuring and provisions	(56)	**(21)**
Cash flows relating to construction contracts	2	**-**
Changes in working capital		
- Inventories	3	**(3)**
- Trade and other receivables	(13)	**19**
- Trade and other payables	34	**(5)**
Cash generated from operations	423	**461**

b) In the group cash flow statement, proceeds from sale of property, plant and equipment (PPE) comprise:

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Profit on disposal of property, plant and equipment	1	**7**
Deferred consideration on disposal of property	(1)	**-**
Proceeds from sale of property held on account with third party	-	**(2)**
Net book value of PPE disposals (Note 14)	6	**4**
Proceeds from sale of PPE	6	**9**

31. Post Balance Sheet Events

During August 2016, subsequent to the balance sheet date, the group issued €200 million in additional Senior Secured Notes at a coupon rate of 4.5%, and at an offering price of 101.5%. The €200 million issue, for which cash proceeds of €203 million were received before deduction of transaction costs, was structured as a tap issue to the €500 million Senior Secured Notes issued in June 2016. The additional €200 million Notes issued are senior secured obligations of the group and rank equal in right of payment with all of the group's pre-existing and future indebtedness that is not subordinated and the Notes are guaranteed on a senior secured basis by all of the group undertakings that guaranteed the Senior Secured Notes of €500 million outstanding at 30 June 2016. The group used the proceeds of the tap issue to repay €201 million of the pre-existing Facility B3 borrowings during August 2016, thereby maintaining its total borrowings at pre-existing levels.

Separately, during August 2016, the group agreed amendments to the terms of its Senior Facilities Agreement, which resulted in the total outstanding Facility B3 borrowings of €1,662 million being transferred to a new Facility B4, with identical interest and repayment terms. The amended conditions applicable to the Facility B4 borrowings allow for greater operational flexibility, including a reduced financial covenant compliance framework which requires that only the ratio of consolidated net debt to consolidated EBITDA to be tested for the quarter ended 30 September 2016 and thereafter until maturity against a fixed maximum threshold.

There have been no other significant events affecting the group since the year ended 30 June 2016.

32. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2016	**Business**	**Registered Office and Country of Incorporation**
eircom Limited	100%	Provision of telecommunications and related services	**Registered office (Irish Branch):** 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland. **Registered office (Jersey):** 22 Grenvile Street, St. Helier, Jersey JE4 8PX, Channel Islands.
eircom Limited (Ireland)	100%	Provision of telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom Finco Sarl	100%	Finance Company	46A Avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
eircom Finance DAC	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Irish Telecommunications Investments DAC	100%	Telecommunications Financing and Treasury Management	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.
eircom Holdings Limited	100%	Investment Holding Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Tetra Ireland Communications Limited (Joint venture)	56%	Build and Operate National Digital Radio Services Network	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Altion Limited (Associated undertaking)	31.3%	Telecommunications Software Solutions	7th Floor, O'Connell Bridge House, D'Olier Street, Dublin 2, Ireland.

33. Employees

The average number of persons employed by the group for the years ended 30 June 2016 and 30 June 2015 were as follows:-

	Year ended 30 June 2015	Year ended 30 June 2016
Fixed line		
Operations/Technical	2,251	**2,171**
Sales/Customer Support	656	**638**
Administration	174	**248**
Total	3,081	**3,057**
Mobile		
Operations/Technical	172	**152**
Sales/Customer Support	217	**172**
Administration	28	**34**
Total	417	**358**
Total fixed line and mobile	3,498	**3,415**

The total number of persons employed by the group as at 30 June 2016 and 30 June 2015 were as follows:-

	30 June 2015	30 June 2016
Fixed line		
Operations/Technical	2,193	**2,114**
Sales/Customer Support	654	**665**
Administration	162	**259**
Total	3,009	**3,038**
Mobile		
Operations/Technical	162	**136**
Sales/Customer Support	194	**157**
Administration	26	**33**
Total	382	**326**
Total fixed line and mobile	3,391	**3,364**

Certain employees work in both the fixed and mobile businesses. The employee numbers are based on the entity that entered into the employment contract with the individual employees. The employee costs are recharged between the fixed and mobile segments based on estimates of the time spent by individual employees on fixed and mobile activities.

34. Pensions
(a) The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature.

The total group pension charge is split between the schemes as follows:

	Notes	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Defined Benefit Schemes (the principal scheme)			
Operating costs – staff pension costs	7	26	**29**
Exceptional - restructuring programme costs	8	-	**2**
Finance costs - net interest cost on net pension liability	10	11	**11**
Defined Benefit Schemes		37	**42**
Defined Contribution Schemes	7	4	**4**
Total		41	**46**

Defined Benefit Schemes
The group sponsors a defined benefit scheme for members in Ireland, the eircom Main Superannuation Scheme. In the year ended 30 June 2014, the group established a separate, limited scope ancillary scheme, the eircom Limited early retirement pension scheme ('Early Retirement Trust'). " At 30 June 2016, the eircom Main Superannuation Fund accounts for in excess of 99% of the group's defined benefit obligations measured in accordance with IAS 19 (Revised) "Employee Benefits".

The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds, the eircom Main Superannuation Fund and the Early Retirement Trust.

Regulatory Framework
The group operates the defined benefit plans under broadly similar regulatory frameworks. Benefits under the Schemes are paid to members from a fund administered by Trustees, who are responsible for ensuring compliance with the Pensions Act 1990 and other relevant legislation. These responsibilities include ensuring that contributions are received, investing the scheme assets and making arrangements to pay the benefits. Plan assets are held in trusts and are governed by local regulations and practice in each country.

In order to assess the level of contributions required on an ongoing funding basis, triennial valuations are carried out with plan obligations generally measured using prudent assumptions and discounted based on the return expected from assets held in accordance with the actual scheme investment policy.

Separately, the Pensions Act 1990 (as amended) generally requires that trustees of funded defined benefit pension schemes must submit an Actuarial Funding Certificate (AFC) at regular intervals to the Pensions Authority. In the AFC, the scheme's actuary certifies whether the scheme does or does not satisfy the minimum funding standard (MFS) at the effective date of the AFC. The funding standard is satisfied if, broadly, in the actuary's opinion, the scheme's assets at the AFC effective date were more than the sum of:

- The transfer values to which the members would be entitled to;
- The risk reserve; and
- The estimated expenses of winding up the scheme.

If the MFS valuation indicates a funding level of below 100%, action would be required. This generally takes the form of agreeing a 'Funding Proposal' with the Trustees with the aim of meeting the MFS at a specified future point in time.

34. Pensions - continued

eircom Main Superannuation Scheme
The Scheme is closed to new entrants. However, benefits continue to accrue to members in active service, and benefits in deferment and in payment are subject to discretionary increases on the part of the group.

Retirement benefits under the Main Superannuation Scheme are calculated by reference to pensionable service and pensionable salary at normal retirement date. Principal benefits comprise of:

(i) Retirement pension, calculated at 1/80th of pensionable pay for each year of reckonable service, up to a maximum of 40/80ths (that is, half pensionable pay). Pensionable pay in most cases is made up of a member's wages or salary at the last day of service plus certain pensionable allowances
(ii) Retirement gratuity (also known as "lump-sum"), calculated at 3/80th of pensionable pay for each year of reckonable service, up to a maximum of 120/80ths (that is, one and a half times pensionable pay).
(iii) Death gratuity, for in-service members, of at least one year's pensionable pay subject to a limit of one and a half times pensionable salary calculated in the same manner as the retirement gratuity.

On an ongoing basis, the Scheme's liabilities consist of obligations to make benefit payments to current and potential future beneficiaries.

As a result of the Pensions Accord, agreed with Trade Unions in 2010, increases in benefits in deferment and in payment and pensionable pay and allowances were frozen up to 30 June 2014. Thereafter, pension increases, if any, will be capped at the lowest of the following:

- the percentage increase in actual pay awarded;
- the percentage increases in consumer prices in the year as measured by the Consumer Price Index (CPI) published by the CSO for the prior year to 31 December; and
- a specified maximum annual increase as follows:
    - 4.00% in each of 2015, 2016 and 2017
    - 3.25% in each of 2018, 2019 and 2020
    - 2.50% in each year thereafter

Early Retirement Trust
The Early Retirement Trust was established in the year ended 30 June 2014 to provide benefits to staff exiting under the Incentivised Exit Programme who opted to avail of an enhanced early retirement option with up to five years added service. In addition to their pre-existing membership of the eircom Main Superannuation Scheme, those individuals became members of the Early Retirement Trust, which provides fixed pension benefits between the last day of service and age sixty. At age sixty benefits from the Early Retirement Trust cease and the preserved benefits under the eircom Main Superannuation Scheme become payable. The Early Retirement Trust is closed to future accrual of benefits.

In the year ended 30 June 2014, the group agreed to provide funding to the Early Retirement Trust totalling €26 million in respect of all its committed past service liabilities. The €26 million funding requirement was fully paid over at 30 June 2015 (30 June 2014: €13 million). Thereafter, subject to achieving anticipated investment returns, the group does not anticipate any further contributions becoming due to the Early Retirement Trust, as members are incapable of earning increases in benefits or accruing additional benefits.

eircom Main Superannuation Scheme Actuarial Valuation and Funding
The eircom Limited group committed to an annual employer contribution of €20 million for three years ending on 31 December 2013. From 1 January 2014, the actual contributions in respect of the principal scheme represent a rate of 8.5% of pensionable emoluments, as advised by the group's actuaries. The last actuarial valuation of the principal scheme was carried out using the attained age method, as at 30 September 2013, by Mercer, who are actuaries to the Scheme but are neither officers nor employees of the group. The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 (see Note 34 (b)) over the remaining working lifetime of the current members.

The actuarial valuation as at 30 September 2013 was determined by reference to the following critical assumptions: (1) an assumed rate of pensionable pay and pension inflation of 1.9% per annum with effect from 1 January 2014 (0% until 31 December 2013) and (2) an assumed rate of investment return of 4.9%. At the date of the last actuarial valuation, the market value of the pension scheme assets was €3,123 million, and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions.

The actuarial valuation report also indicated that the Scheme met the Minimum Funding Standard as at 30 September 2013, and included a completed Actuarial Funding Certificate confirming this outcome. The actuarial report is available for inspection by the members of the scheme at 1 Heuston South Quarter, St. John’s Road, Dublin 8. The actuarial report is not available for public inspection.

34. Pensions - continued

eircom Main Superannuation Scheme Actuarial Valuation and Funding - continued
The next scheduled formal valuation of the scheme is as at 30 September 2016. If a deficit were to arise in the ongoing funding valuation at a future date, the actuary could recommend an increase in the employer contribution rate. However, there is no legal obligation on the group to remediate a deficit and there is a practical limit to what the group could reasonably afford, and would be prepared to pay. Other possible remediation could include, for example, further limitation of discretionary increases in pensions in deferment and in payment.

The minimum funding standard regime provides a practical base line in terms of both a target funding level and contribution rate. In circumstances where a scheme fails to satisfy the minimum funding standard, the Pensions Board has established guidelines in relation to what would constitute an acceptable funding proposal. Developing a funding proposal that is acceptable to the Trustees, eircom Limited and Pensions Authority could prove to be a significant challenge in the event that the Scheme fails to satisfy the minimum funding standard at a future date.

Mercer also perform all annual valuations required under IAS 19 “Employee Benefits”. These valuations are performed on the projected unit basis.

Defined Benefit Schemes obligations
The status of the defined benefit schemes, as measured in accordance with IAS 19 (Revised) "Employee Benefits", is as follows:

	30 June 2015 €m	**30 June 2016 €m**
Present value of funded obligations	4,331	**4,730**
Fair value of scheme assets	(3,905)	**(4,384)**
Liability recognised in the Balance Sheet	426	**346**

Reconciliation of defined benefit obligation	**30 June 2015 €m**	**30 June 2016 €m**
At beginning of financial period	3,940	**4,331**
Current service cost	25	**28**
Interest cost	113	**103**
Past service costs and curtailment losses	-	**2**
Remeasurements:		
- Loss from change in demographic assumptions	10	**-**
- Loss from change in financial assumptions	329	**494**
- Experience loss/(gain)	6	**(130)**
Contributions by employees	8	**8**
Benefits paid	(100)	**(106)**
Total – Defined benefit obligation	4,331	**4,730**

Defined benefit obligation by member status	**30 June 2015 €m**	**30 June 2016 €m**
Actives	1,138	**1,279**
Vested deferreds	1,637	**1,834**
Retirees	1,556	**1,617**
Total – Defined benefit obligation	4,331	**4,730**

34. Pensions - continued

Reconciliation – Fair value of plan assets	**30 June 2015 €m**	**30 June 2016 €m**
At beginning of financial period	3,549	**3,905**
Interest income on plan assets	102	**92**
Administration costs	(1)	**(1)**
Remeasurements: Return on plan assets, excluding amounts included in interest income	318	**476**
Contributions paid by group	29	**10**
Contributions by employees	8	**8**
Benefits paid	(100)	**(106)**
Total – Fair value of plan assets	3,905	**4,384**

The components of the amounts recognised in the income statement are as follows:

	Year ended 30 June 2015 €m	**Year ended 30 June 2016 €m**
Current service cost	25	**28**
Administration costs	1	**1**
Interest on obligation	113	**103**
Interest income on plan assets	(102)	**(92)**
Total net charge included in the income statement excluding restructuring	37	**40**
Past service costs and curtailment losses	-	**2**
Total net charge included in the income statement	37	**42**
Actual return on scheme assets	419	**568**

The expected contribution level for the year ended 30 June 2017 for the defined benefit scheme is €10 million.

The weighted average duration of scheme liabilities at 30 June 2016 was estimated to be 17 years (30 June 2015: 18 years).

Pensions Levy
The Irish Finance (No. 2) Act 2011 introduced a levy of 0.6% on the market value of assets under management in Irish pension funds, for the years 2011 to 2014 (inclusive). Finance (No. 2) Act 2013 put in place a further 0.15% levy for 2014 and 2015. The levy is based on scheme assets as at 30 June in each year, or as at the end of the preceding scheme financial year. The group recognised a charge of €6 million in respect of the 2015 pension levy through other comprehensive income for the year ended 30 June 2015.

In 2011, the group informed the Trustees of the Main Fund that it is not in a position to carry the charges in relation to the pension levy. The Trustees considered various options with regard to funding the levy, ranging from absorbing the cost within the fund or directly reducing base benefits and pensions payable. The Trustees ultimately concluded that it would be necessary to pass the pensions levy onto members. The precise mechanism will be determined by the Trustees following consultations between the group and the Trustees and separately between the group and member representatives.

The total amount of pension levy paid from 2011 to 2015 (inclusive) by the Trust was €83 million. No pension levy was due at 30 June 2016. While the Trustees have accepted that the members will ultimately bear the cost of the pensions levy, no reduction in the defined benefit obligation has been recognised as at 30 June 2016 in respect of the levy.

34. Pensions - continued

Pension scheme assets
The fair value of scheme assets as at 30 June 2016 was €4,384 million (30 June 2015: €3,905 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2015				30 June 2016			
	Quoted €m	Unquoted €m	Total €m	%	Quoted €m	Unquoted €m	Total €m	%
Equities & other assets	366	272	638	16%	**313**	**281**	**594**	**14%**
Bonds	2,251	467	2,718	70%	**2,654**	**508**	**3,162**	**72%**
Property	-	537	537	14%	**-**	**616**	**616**	**14%**
Cash	-	18	18	-	**-**	**12**	**12**	**-**
Pension levy	-	(6)	(6)	-	**-**	**-**	**-**	**-**
Total pension assets	2,617	1,288	3,905	100%	**2,967**	**1,417**	**4,384**	**100%**

Assumptions of actuarial calculations
The main financial assumptions used in the valuations were:

	At 30 June 2015	At 30 June 2016
Rate of increase in salaries	1.50%	1.40%
Rate of increase in pensions in payment	1.50%	1.40%
Discount rate	2.40%	1.65%
Inflation assumption	1.70%	1.50%
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old male	88 years	88 years
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old female	90 years	90 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old male	91 years	91 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old female	93 years	93 years

The above assumptions reflect the imposition of a cap on the increases in pensionable pay to the lower of CPI, salary inflation or agreed fixed annual rates.

34. Pensions – continued

Sensitivity of defined benefit obligation to key assumptions
The table below sets out the sensitivity of defined benefit obligation to changes in key assumptions:

	Change in Assumption	Impact on actuarial liabilities
Discount rate	0.25% increase	**(201)**
Rate of increase in salaries and pensions in payment	0.25% increase	**197**
Life expectancy	1 year increase	**113**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, a change in one assumption could impact on other assumptions due to the relationship between assumptions. Some of the above changes in assumptions may also have an impact on the value of the schemes' investment holdings. For example, the plans hold a proportion of their assets in corporate bonds. A fall in the discount rate as a result of lower corporate bond yields would be expected to lead to an increase in the value of these assets, thus partly offsetting the increase in the defined benefit obligation. The extent to which these sensitivities are managed is discussed further below.

Risks and risk management
Through its defined benefit pension schemes, the group is exposed to a number of areas of risk. The key areas of risk, and the ways in which the group has sought to manage them, are set out below.

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The funds hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. In 2010, the Trustees initiated a review of the Main Scheme's investment strategy. That review resulted in a substantial shift in the investment portfolio from equity to fixed interest investments. At the same time the Trustees put in place a dynamic de-risking process to further transition the Scheme's equity allocation to fixed interest holdings in a systematic manner.

However, the group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently.

There is also an element of credit risk attaching to the bond portfolio and currency risk to the extent that assets are denominated in currencies other than the euro and are not correspondingly hedged.

Changes in bond yields
Interest rate and inflation risks, along with equity risk, are the defined benefit schemes' largest risks. From an accounting liability perspective, the schemes are also exposed to movements in corporate bond spreads. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk
The majority of the plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plans against high inflation. However, for the most part these inflationary increases are ultimately discretionary in nature.

Life expectancy
The majority of the schemes' obligations are to provide a pension for the life of the member and that of the member's widowed spouse, which means that increases in life expectancy will result in an increase in the plans' liabilities.

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (1 January 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains full liability for these payments.

35. Operating lease commitments

At 30 June 2016, the group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the group's annual commitments is as follows:-

	30 June 2015		30 June 2016	
	Property €m	Vehicles, plant and equipment €m	Property €m	Vehicles, plant and equipment €m
Annual commitments				
Under non-cancellable operating leases expiring:				
No later than one year	4	-	**2**	**-**
Later than one year but no later than five years	17	1	**17**	**1**
Later than five years	16	-	**17**	**-**
	37	1	**36**	**1**

The total contracted payments due on operating leases are as follows:

	30 June 2015 €m	30 June 2016 €m
Payable:		
No later than one year	38	**37**
Later than one year but no later than five years	102	**101**
Later than five years	213	**202**
	353	**340**

36. Credit guarantees and securities

Credit guarantees
The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings.

Senior Credit Facility
At 30 June 2016, eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €1.9 billion of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group. The group also has an undrawn €150 million revolving credit facility.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €1.9 billion term loan and €150 million undrawn revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The guarantees rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Senior Credit Facility, including the guarantee of the Senior Secured Notes. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement. The Senior Credit Facility is secured by pledges over the shares in eircom Holdings (Ireland) Limited, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl, and fixed and floating charges over the assets of eircom Limited (Jersey), eircom Limited, Irish Telecommunications Investments DAC, Meteor Mobile Communications Limited and eircom UK Limited, subject to certain exclusions specified in the security documents. The companies guaranteeing the Senior Credit Facility are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited (Jersey), eircom Limited, Irish Telecommunications Investments DAC, Meteor Ireland Holdings LLC, Meteor Mobile Holdings Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Senior Secured Notes
eircom Holdings (Ireland) Limited and certain of its subsidiaries have guaranteed financial indebtedness for €500 million of eircom Finance DAC, a subsidiary of the group, pursuant to the Senior Secured Notes issued in June 2016.

The guarantees are general senior obligations of each guarantor and rank equally in right of payment with all existing and future indebtedness that is not subordinated to the Notes, including the guarantee of the Senior Credit Facility. The guarantees are contractually subordinated in right of payment to certain hedging obligations pursuant to the Intercreditor Agreement.

The Senior Secured Notes are secured by pledges over the equity interests in eircom Finance DAC and each Guarantor, pledges over certain bank accounts, intercompany claims and related security of eircom Finco Sarl and fixed and floating charges over the assets of the guarantors, subject to certain exclusions specified in the security documents. The guarantors of the Senior Secured Notes are eircom Holdings (Ireland) Limited, eircom Finco SARL, eircom Limited (Jersey), eircom Limited, Irish Telecommunications Investments DAC, Meteor Ireland Holdings LLC, Meteor Mobile Holdings Limited, Meteor Mobile Communications Limited and eircom UK Limited.

Hedging obligations
The group has entered into derivative financial instruments which are subject, amongst other things, to an Intercreditor Agreement. In accordance with this agreement, the liabilities to hedging counterparties rank in priority to liabilities arising under the Senior Credit Facility and Senior Secured Notes in the event of enforcement action.

Tetra Securities
The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group and the Senior Secured Notes of eircom Finance DAC are secured by a second pledge over eircom Limited's shares of Tetra.

37. Contingent liabilities

Hearing loss claims
As of 30 June 2016, eircom has received notice of personal injury claims for alleged hearing loss from one hundred and sixteen current and former employees, fifteen of which have been withdrawn, and eight of which have been discontinued. Of the ninety-three remaining claims, fifty-five have become prima facie statute barred, and therefore eircom Limited considers these cases to be closed. Of the remaining cases, twenty-six individuals have issued court proceedings but did not serve these within the period they had to do so and so eircom Limited also considers these cases to be closed. Twelve sets of proceedings have been served and are active. eircom Limited has denied liability in all of the claims and intends to vigorously defend all proceedings issued in respect of hearing loss claims.

Claim for title by the State in respect of the Ship Street and Leitrim House properties
eircom Limited, and its predecessor before privatisation, the Department of Posts and Telegraphs, has been in occupation of the Leitrim House and Ship Street exchange properties in Dublin city centre from the 1920s. Leitrim House contains a number of offices and Ship Street is a key telecoms exchange. The Minister for Finance has claimed that the State has title to the properties and issued a plenary summons on 12 July 2013 seeking possession. Those proceedings were served on eircom Limited on 1 July 2014, prior to the date for expiry of the summons on 12 July 2014. A Statement of Claim was delivered by the State on 17 December 2014. eircom raised a Notice for Particulars on 27 March 2015. Replies to those Particulars was delivered by the State on 8 May 2015. A Notice for Further and Better Particulars was served by eircom on 17 August 2015, to which no reply has been received. The proceedings have been dormant since that time and eircom remains in occupation.

Performance guarantees
Performance guarantee deposits have been lodged in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts (see Note 20). At 30 June 2016, these include €2 million in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, €3 million in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO") and €2 million in relation to other obligations under certain commercial contracts No material losses are expected in respect of these obligations.

Allegations of anti-competitive practices
In October 2002, ComReg determined that eircom Limited was not in compliance with its obligations under the voice telephony regulations, as it provided telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of eircom Limited's discount schemes and published prices. No penalties were levied on eircom Limited as a result of this determination.

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against eircom Limited seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom Limited submitted its defence on 26 January 2004 and intends to defend the proceedings vigorously.

The plaintiffs submitted general particulars of their damages claim on 3 February 2004 under the headings: loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million), and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on eircom Limited's part under each of these headings, eircom Limited's Directors do not believe that these figures represent damages which would be properly recoverable from eircom Limited.

No further action has been taken by the plaintiffs in the ten years since they amended the plenary summons and statement of claim. eircom Limited does not expect the plaintiffs to take any further action, and even if they attempted to do so, eircom Limited believes, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Claims by Smart Telecom
On 8 June 2005, Smart Telecom instituted proceedings against eircom Limited in the Irish High Court, challenging the validity of a notice of termination issued by eircom Limited to Smart Telecom terminating an interconnection agreement and alleging that the notice of termination was an abuse by eircom Limited of its dominant position in the telecommunications market. Smart Telecom further alleged that eircom Limited was abusing its dominant position by refusing to provide network access in the form of Local Loop Unbundling ("LLU") in the manner required by Smart Telecom. The reliefs sought by Smart Telecom included declarations that the notice of termination was invalid, that eircom Limited was abusing its dominance by failing to meet Smart Telecom's LLU requirements and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty. eircom Limited delivered its defence in the proceedings on 23 December 2005.

37. Other contingent liabilities - continued

Claims by Smart Telecom - continued
eircom Limited's Directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom Limited provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously if pursued. Smart Telecom submitted general particulars of its damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom Limited's part under each of these headings, eircom Limited's Directors do not believe that these figures represent damages that would be properly recoverable from eircom Limited.

In October 2006, eircom Limited terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom Limited introduced the LLU functionality that is the subject of Smart's claim in the proceedings.

No further action has been taken by Smart Telecom after the delivery of eircom Limited's defence in December 2005. In December 2009, Smart Telecom went into liquidation. eircom Limited does not expect the plaintiff to take any further action and even if it attempted to do so, eircom Limited believes, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Other
Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory and taxation authorities have arisen in the normal course of business. While any litigation or dispute with regulatory and tax authorities has an element of uncertainty, the Directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

38. Commitments

Capital commitments of the group which have been contracted for were €76 million at 30 June 2016 (30 June 2015: €45 million). These amounts have been approved by the Board.

Network share agreement with Three
Three and the group signed a network sharing agreement in the year ended 30 June 2015. This partnership with Three strengthens the existing network sharing agreement that had been in place between O2 and the group since 2011.

The agreement will run to 2030 and commits funding to create a shared network of sites. Three and the group will share site equipment, power supply, towers and transmission throughout the country. The existing sites of both operators will be consolidated and new sites will be jointly built. The partnership will further facilitate the introduction of new technologies to roll out 4G/LTE services and provide data coverage to every part of the country.

To the extent that the group expects to decommission existing assets in connection with the agreement, the related useful lives of the assets concerned and asset retirement obligations have been revised as appropriate, and provisions have been recognised for any decommissioning costs for which a legal or constructive obligation existed at the balance sheet date.

The network sharing agreement between Three and the group is determined to be a joint operation in accordance with the guidance in IFRS 11. The group accounts for its own rights and obligations as well as its share of any joint rights and obligations.

39. Related party transactions

The following transactions were carried out with related parties:

a) Key management compensation

	Year ended 30 June 2015 €m	Year ended 30 June 2016 €m
Salaries and other short-term employee benefits	5.9	**7.0**
Other long-term employee benefits	1.0	**-**
Post-employment benefits	0.2	**0.3**
	7.1	**7.3**
Termination benefits	9.9	**0.5**
Share based payments	11.2	**5.0**
	28.2	**12.8**

Management Incentive Plan

The management incentive plan ("MIP") was initiated in the year ended 30 June 2013 by the group's parent company, eircom Holdco S.A., for certain directors and senior executives in the group. The MIP originally incentivised the participants to deliver full repayment of the group's borrowings under the Senior Facilities Agreement ("a debt value event") and to deliver maximum returns to shareholders on a sale of their shares ("sale event"). The debt value element was accounted for in accordance with IAS 19, *Employee benefits*, and the equity value element in accordance with IFRS 2, *Share based payments*. In December 2014, the shareholders of eircom Holdco S.A. elected to simplify the structure by removing the debt related elements of the plan and thereby aligning the returns to the participants with the returns to the shareholders. Following these amendments all of the benefits of the MIP are accounted for in accordance with IFRS 2.

The individual participants' entitlements under the MIP are subject to graded vesting on a time basis over five years, although the agreements provide for accelerated vesting in the event of a sale or public offering provided the individual remains employed at such date. The weighted average remaining contractual vesting term of the awards is 2.38 years.

The participants are entitled to receive instruments in Eircom MEP S.A., which in turn hold instruments in eircom Holdco S.A.. The instruments held in Eircom MEP S.A. carry no voting rights and are not transferable. These instruments will be cash settled on vesting by eircom Holdco S.A., however there is no obligation for the group to make any cash payments.

Under the terms of the MIP there are good and bad leaver clauses, which determine the rights of participants who cease to be employees prior to the occurrence of an exit event.

The group re-measured the debt value element prior to the amendment in December 2014 and as a result recognised a charge of €1 million in its income statement in the year ended 30 June 2015. Following the amendment, the group reclassified the cumulative debt value event liability of €27 million to equity and classified this within the capital contribution reserve. The conversion of the previously held MIP instruments gave the participants equal value before and after modification.

For the year ended 30 June 2016, the group also recognised a charge of €5 million (30 June 2015: €11 million) in its income statement, with a corresponding increase in equity, in respect of contractual rights under the MIP awarded by the parent company, eircom Holdco S.A., to the group's employees, for which the group has no obligation to make any payment. A cumulative capital contribution of €52 million is recorded on the balance sheet as at 30 June 2016 (30 June 2015: €47 million).

b) Other related parties transactions

During the year ended 30 June 2015, the group advanced a loan of €14 million to eircom Holdco S.A.. The loan was advanced following the decision by the Board of Directors of eircom Holdco S.A. to exercise a call option over vested shares in eircom Holdco S.A. held by departing executives through the Management Incentive Plan. The loan was used by eircom Holdco S.A. to repurchase the shares. The amount outstanding at 30 June 2016 is €14 million (30 June 2015: €14 million).

During the year ended 30 June 2016, the group recharged operating costs incurred on behalf of eircom Holdco S.A. of €Nil (30 June 2015: €0.2 million). The amount outstanding in respect of these costs is €Nil at 30 June 2016 (30 June 2015: €0.4 million).

During the year ended 30 June 2016, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €5.7 million (30 June 2015: €5.8 million). The amount outstanding in respect of these costs is €3.3 million at 30 June 2016 (30 June 2015: €5.3 million).

40. Business combinations

On 1 April 2016, the group acquired 100% of the share capital of Setanta Sports Channel Ireland Limited (a company incorporated in Ireland), as well as the Irish residential subscriber business and assets of Setanta Sports Hibernia Sàrl (together "Setanta Sports Ireland"). The acquisition allows eir to significantly expand its TV offering and further enhance the range of propositions on offer to customers. Setanta Sports Ireland offers a compelling range of exclusive sports content in the Republic of Ireland. The acquired business contributed revenues of €8 million and profit of €0.06 million to the group for the period 1 April 2016 to 30 June 2016.

If the acquisition had occurred on 1 July 2015, the group income statement would show pro-forma revenue of €1,327 million (unaudited) and loss of €158 million (unaudited).

Further to the acquisition of the business and assets of Setanta Sports Hibernia Sàrl, eircom Limited agreed amendments with a third party in respect of a key contract acquired as part of the business combination. The amendments gave rise to a substantial enhancement of the contractual asset rights, and accordingly the costs incurred in connection with these contractual amendments have been capitalised.

Details of net assets acquired and goodwill are as follows:

	€'m
Total purchase consideration	
- Cash paid	22
- Deferred consideration (Note 26)	3
	25
Fair value of net assets acquired	(5)
Goodwill (Note 12)	**20**

The goodwill represents the value to the group of having an established workforce and the fair value of the expected synergies and other benefits from being able to offer sports programming as part of a bundled fixed line broadband offering by eircom Limited.

The assets and liabilities arising from the acquisition are as follows:

	Fair Value €'m
Cash and cash equivalents	-
Restricted cash	1
Customer relationships (included in other intangible assets) (Note 13)	7
Receivables	7
Payables	(9)
Deferred tax liabilities (Note 25)	(1)
Net assets acquired	**5**

	€'m
Purchase consideration settled in cash	22
Cash and cash equivalents in subsidiary acquired	-
Cash outflow on acquisition	**22**

30 June 2015
There were no business combinations during the year ended 30 June 2015.

41. Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 July 2015 or later periods but which the group has not early adopted, as follows:

IFRS 9, 'Financial instruments'. (Effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement). The new standard addresses classification and measurement of financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a model that has two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset host instruments and the cost exemption for unquoted equities. The group is currently reviewing the expected impact of this standard, which may change as a consequence of further developments resulting from the IASB's financial instruments project.

IFRS 15, 'Revenue from Contracts with Customers'. (Effective for periods beginning on or after 1 January 2018, subject to EU endorsement). IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue Standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The group anticipates significant changes in financial reporting upon implementation of the new standard, more specifically:

- Under current revenue accounting policies applied by the group, when allocating revenue to deliverables, amounts contingent upon provision of future service are not allocated to delivered elements. This will no longer be the case under IFRS 15, and the group expects in particular that it will therefore be required to recognise additional revenue at the time of transfer of subsidised handsets sold directly to customers in conjunction with a service contract, and less revenue as services are delivered over the service contract term.
- To the extent that unbilled revenue is recognised upon delivery of handsets, this will be reflected in the balance sheet as a contract asset, which will be subject to ongoing impairment review. Where revenue is recognised earlier than under current standards, impairment charges and tax charges may similarly be recognised earlier.
- IFRS 15 also includes requirements for accounting for some costs that are related to a contract with a customer. A company would recognise an asset for (i) the incremental costs of obtaining a contract and (ii) costs incurred to fulfil a contract, if those costs are expected to be recovered. Once a performance obligation is satisfied, any contract costs must be recognised in the income statement, The group expects that certain of its contract acquisition and fulfilment costs, which are currently expensed to the income statement as incurred, will be deferred on the balance sheet under IFRS 15 and amortised as revenue is recognised under the related contract. Costs within the scope of this change are expected to include, amongst others, commissions payable to dealers for the acquisition and retention of mobile subscribers and the costs of providing fixed line and mobile services that do not currently meet the criteria for recognition as assets under other standards;
- The accounting for subscriber acquisition costs in the Mobile segment will be impacted by whether or not the company has acted as principal in satisfying the delivery of the subsidised handset to the customer. The new standard also includes updated guidance on identifying the principal where an intermediary is party to a transaction. This guidance places emphasis on control of goods prior to delivery to the customer, which contrasts with the IAS 18 guidance which focussed on the bearer of the substantial risks and rewards associated with the transaction.

The group is continuing to assess the full impact of IFRS 15 on its financial reporting in light of the distinct and marked impact this standard is expected to have on financial reporting by all telecommunications operators.

IFRS 16, 'Leases'. (Effective for periods beginning on or after 1 January 2019, subject to EU endorsement). IFRS 16 specifies how an entity will recognise, present and disclose leases and will replace the previous lease Standard: IAS 17 Leases. IFRS 16 will require lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The new standard will however, include two recognition exemptions for leases: (i) leases of 'low-value' assets and (ii) short term leases. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events e.g. a change in the lease term. Lessor accounting will remain substantially unchanged under the new standard. Lessors will continue to classify all leases using the same classification principle as currently exists under IAS 17. The group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the changes are expected to have an impact on the consolidated income statement and consolidated statement of financial position. The group has not yet decided whether to adopt IFRS 16 at the same time as IFRS 15 is adopted.

41. Standards, interpretations and amendments to published standards that are not yet effective - continued

Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities". (Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement). The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate holding entity is available to a holding entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. The amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Furthermore, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. This amendment is not expected to have any effect on the group.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investment in Associates and Joint Ventures'. (Effective date deferred until the IASB have finalised any amendments arising from its research project, subject to EU endorsement). The amendments address the recognition of the gain or loss arising on the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the full gain or loss should be recognised where the transfer involves a business as defined in IFRS 3. Where the transfer does not involve such a business, the gain or loss should only be recognised to the extent of unrelated investors' interests in the associate or joint venture. This amendment is not expected to have any effect on the group.

Amendments to IAS 1, "Disclosure Initiative". (Effective for periods beginning on or after 1 January 2016). The amendments to IAS 1 include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. This amendment is not expected to have any significant effect on the group, the standard impacts on presentation and disclosure and has not impacted on the measurement of amounts.

Amendments to IAS 7, "Disclosure Initiative". (Effective for periods beginning on or after 1 January 2017, subject to EU endorsement). The amendment to IAS 7 requires an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities (including both cash and non-cash changes). This amendment is not expected to have any significant effect on the group, the standard impacts on presentation and disclosure and has not impacted on the measurement of amounts.

Amendments to IAS 27, "Equity Method in Separate Financial Statements". (Effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment is not expected to have any effect on the group.

Amendments to IFRS 2, "Share Based Payment". (Effective for annual periods beginning on or after 1 January 2018, subject to EU endorsement). The amendments clarify: (i) accounting in relation to cash-settled share-based payment transactions that include a performance condition, (ii) the classification of share-based payment transactions with net settlement features and (iii) the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These amendments are not expected to have any significant effect on the group.

Amendments to IAS 12, 'Income Taxes'. (Effective for annual periods beginning on or after 1 January 2017, subject to EU endorsement). The amendments to IAS 12 clarifies the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. As a result of the amendments, an entity will need to consider whether tax law restricts the sources of taxable profits against which the deferred tax asset can be utilised. The amendments also provide guidance on how an entity should determine future taxable profits and explains in what circumstances taxable profits may include the recovery of some assets for more than their carrying amount. This amendment is not expected to have any significant effect on the group.

Amendments to IAS 16 'Property, Plant and Equipment', and IAS 38 'Intangible Assets'. (Effective for financial periods beginning on or after 1 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. Also, it introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. This amendment is not expected to have any significant effect on the group as the group does not calculate depreciation or amortisation based on revenue.

41. Standards, interpretations and amendments to published standards that are not yet effective - continued

IFRS 11 (Amendment), 'Joint Arrangements'. (Effective for periods beginning on or after 1 January 2016). The amendment clarifies the accounting for an interest in a joint operation when the joint operation is formed and there is an existing business that is contributed or where the acquisition of the interest is in an existing joint operation that is a business. The joint operator accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business applies the relevant principles for business combinations accounting in IFRS 3 and other Standards, and discloses the relevant information required by those Standards for business combinations. This is not expected to have any impact on the group's accounting for its existing joint arrangements.

Annual Improvements 2012 to 2014. (Effective for annual periods beginning on or after 1 January 2016). The IASB has issued "annual improvements" which amends various standards. The group is currently assessing the impact of these improvements on its financial reporting, but does not anticipate that the improvements will have a material impact on the group's financial statements.

42. Approval of financial statements
These financial statements were authorised for issue by the Board of Directors on 1 September 2016.