eircom Holdings (Ireland) Limited ("EHIL")

August 27, 2015

Annual Report for Bondholders Year Ended June 30, 2015

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DISCLAIMER

The following report presents our results for the year ended June 30, 2015. 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 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.

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 slowdown in the recovery of the Irish economy;
- increasing competition in the Irish telecommunications market;
- the impact of further consolidation in the Irish telecommunications market;
- the continued trend of substitution from fixed line services to non-traditional voice and data services including over-the-top (OTT) services;
- our ability to successfully implement our bundling strategy;
- extensive regulation and regulatory initiatives aimed at increasing competition;
- our ability to successfully compete in data services including broadband services, data services, end-to-end business solutions and data centre management;
- increased competition in the broadband market as a result of government initiatives to promote broadband infrastructure investment;
- our ability to maintain a favourable brand image and develop new brands;
- changes in technologies and markets, requiring us to make substantial investments in our fixed line and mobile networks and systems;
- our ability to achieve the expected revenue growth related to the investments made in our Next Generation Networks (NGN), 4G network and other capital projects;
- changes in the network sharing arrangements with Three Ireland (Hutchison) Limited or failure to meet our commitments as a wholesale supplier in the network sharing arrangement;
- high exposure to the prepay mobile market;

- reliance on third parties to distribute our mobile products, provide certain services and procure customers;
- rapid changes in technology the telecommunications industry and our ability to effectively deploy new or enhanced technologies;
- reliance on the proper functioning and constant development of our network, information technology, billing and Customer Relationship Management (CRM) systems;
- difficult or costly implementation of cost saving measures;
- significant deterioration in our budgeted cash flows or changes in our weighted average cost of capital ("WACC");
- changes in the regulatory framework in which we operate;
- our substantial leverage and debt service obligations;
- ability to generate sufficient cash to service our debt;
- risks associated with our structure; 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 reports published by The Commission for Communications Regulation ("ComReg"), the Irish telecommunications regulator, including the report containing market information as of March 31, 2015, published on June 11, 2015. 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. 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, 2014 and 2015 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, 2014 and 2015, 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 group adopted IFRS 11 'Joint Arrangements' on July 1, 2014. The new standard is to be applied retrospectively and accordingly the group has restated the comparative periods. For more information see Note 40 to the EHIL consolidated financial statements for the year ended June 30, 2015 contained elsewhere in this Annual Report.

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, 2015 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, 2014 and June 30, 2015 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:

- "Clearstream" refers to Clearstream Banking, S.A.;
- "Company" refers to eircom Holdings (Ireland) Limited;
- "EHIL" and "the company" refer to eircom Holdings (Ireland) Limited, a private company registered in Dublin, Ireland.
- "eircom" refers to EHIL, and, as the context requires, its subsidiaries, on a consolidated basis;
- "eircom UK" refers to eircom (UK) Limited a private company registered in England and Wales. It is a provider of communication services and solutions to Government, Enterprise and Wholesale customers across the UK;
- "ESOT" or the "ESOT Trustee" refers to the eircom Employee Share Ownership Trust;
- "EU" refers to the European Union;
- "Euroclear" refers to Euroclear Bank SA/NV;
- "Group" refers to EHIL and its subsidiaries';
- "IFRS" refers to International Financial Reporting Standards as adopted by the European Union;
- "Issuer" refers to eircom Finance Limited, a private company incorporated in Ireland with company number 524458;
- "Refinancing Transactions" refers to the issuance of €350 million aggregate principal amount of 9.25% Senior Secured Notes due 2020 and the use of the proceeds therefrom to repurchase €364 million principal amount of debt under our Senior Facilities at an average rate of approximately €0.933 per €1.00 of indebtedness;
- "Trustee" refers to Wilmington Trust, National Association;
- "Senior Facilities" refers to the facilities made available under the Senior Facilities Agreement.
- "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 22 August 2014, as further amended and restated on 11 June 2015, 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;
- "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
- "we", "us", "our" and other similar terms refer to EHIL and its subsidiaries on a consolidated basis, 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 in section 14.

4. RECENT DEVELOPMENTS

Internal Corporate Reorganisation

On 1 July 2015, subsequent to the balance sheet date, 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 (Irish Branch), 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 August 22, 2014. The primary corporate benefit derived from the reorganisation is increased flexibility to make distributions in the future. The internal corporate reorganisation is not expected to have any effect on the business or operations of the group.

Change in Accounting Policies

A number of new or amended accounting standards are mandatorily required to be applied by the group in subsequent accounting periods. In particular, IFRS 15, 'Revenue from Contracts with Customers' (effective for periods beginning on or after 1 January 2018, subject to EU endorsement) is expected to have a significant impact on the recognition of revenue and contract costs for the group. In preparing financial statements up to June 30 2015, the group has applied the existing standard, IAS 18 'Revenue'. Application of the new standard will change how the revenues and costs from certain contracts are recognised in the financial statements. For more information see note 41 of the EHIL financial statements for the year ended June 30, 2015 included elsewhere in this annual report.

Other

There have been no other significant events affecting the group since the year ended June 30, 2015

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 the ongoing recovery of the Irish economy were to falter or regress.

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. Our business and results of operations have in the past been negatively affected by the performance of the Irish economy, particularly the impact of higher unemployment, higher taxes on disposable income and a decline in overall consumer and business spending. Unemployment increased from an average of 6.4 per cent. in 2008 to an average of 14.7 per cent. by 2012, although it subsequently decreased to 12.0 per cent. in the first quarter of 2014 and to 9.9 per cent. in the first quarter of 2015 according to the Central Statistics Office (Ireland). Between 2008 and 2011, real gross national product ("GNP") declined by 10.1 per cent. The decline in GNP impacted expenditure on telecommunications and the performance of telecommunications operators in Ireland, including eircom. The negative performance of the Irish economy also contributed to emigration, which in turn had an adverse impact on the number of mobile subscribers (in particular prepay subscribers) and revenue. GNP grew by 3.3 per cent. in 2013 and 5.2 per cent. in 2014 as Ireland's economy recovered. While economic commentators are predicting continued improvement in the Irish economy, if the ongoing recovery were to falter or regress, our business, financial condition and results of operations could be materially adversely affected.

Increasing competition in the Irish fixed-line telecommunications market makes our retail 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 in recent years. According to quarterly data published by the Commission for Communication Regulation ("ComReg"), in the quarter ended 31 March 2015, our market share was 46.1 per cent. of overall fixed-line revenue, a decline from 47.5 per cent. in the quarter ended 30 June 2014. However, we are able to regain a significant proportion of retail access lines lost through our wholesale business, 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 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 also face competition in the TV market which we entered with the commercial launch of our IPTV offering in January 2014. Our main competitors in the TV market include Sky and UPC.

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, TV and entertainment services. This competition comes from well-funded, multi-national competitors including Vodafone, UPC and Sky.

In addition, the 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 a fibre-to-the-building broadband network, offering speeds up to 1000 Mbps to 500,000 premises in fifty regional towns.

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.

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 operators in the Irish mobile telecommunications market, Vodafone, eircom and Three Ireland. On 24 June 2013 Hutchison Whampoa Ltd. ("Hutchison Whampoa"), owner of Three Ireland, announced that it had entered into an agreement with Telefonica to buy its O2 business in Ireland. Giving effect to this acquisition, the revenue market shares of Vodafone, O2/Three Ireland and eircom were 43.1per cent., 34.3per cent. and 18.9per cent., respectively, for the quarter ended 31 March 2015. In addition, there are smaller mobile virtual network operators ("MVNOs"), including Tesco Mobile, which deliver their services over networks provided by the MNOs. As one of the conditions imposed upon Three Ireland during the process to acquire Telefonica's Irish business, two additional MVNO's are expected to launch in Ireland during 2015. See the risk '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, 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 data. Competition in the market continues to put pressure on market revenue in both the postpay and prepay segments.

The Directors 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 business to business ("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, convince mobile users to switch from competing operators to our mobile services and stimulate demand for new services, including 4G 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 for several years, including Vodafone's acquisition of several small fixed-line operators and its acquisition of BT's consumer customer base, and more recently Three Ireland's acquisition of Telefonica O2 Ireland.

The European Commission's approval of the acquisition of O2 by Three Ireland was subject to conditions set out in the commitments proposed by Hutchison Whampoa, owner of Three Ireland, 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. To facilitate this, Hutchison 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 1 January 2016. MVNO agreements with both UPC Ireland and Carphone Warehouse were subsequently announced.

In July 2015, Carphone Warehouse mobile launched its mobile brand, iD Mobile, with an online expression of interest. UPC Ireland is expected to launch their new mobile business later in 2015. The entry of two new MVNOs and/or their eventual transition to MNOs may result in increased 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.

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 from 2,359 million

minutes in the financial year ended 30 June 2014 to 1,973 million minutes in the financial year ended 30 June 2015. 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 844,000 as at 30 June 2014 to 776,000 as at 30 June 2015.

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 the Directors 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 IP products of our own, as well as next generation access ("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 mobile network operators ("MNOs") such as eircom, who are only able to charge for Internet data usage for such services. With the growing share 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 capital-intensive business models associated with traditional fixed-line operators and MNOs like eircom. OTT service providers have become more 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, may 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 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. The Directors believe that bundling has the potential to reduce churn of fixed-line subscribers, attract new broadband subscribers, increase the number of revenue generating units ("RGUs") per subscriber and increase ARPU. Our ability to successfully implement this strategy may, however, be adversely affected if demand for broadband services (and in particular high speed broadband services) in Ireland does not continue to grow as the Directors 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 may also adversely affect the competitiveness of our bundled offerings. Furthermore, while eircom has 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 "*Section 8: Regulation — SMP Regulation of eircom's retail fixed access products and services — Retail Price Regulation*". If we are unsuccessful in implementing our bundling strategy, 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, Energy 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 us 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 we believe is likely to 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, end-to-end business solutions and data centre management, 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 and increased price competition from other data service providers.

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 programmes, such as rolling out fibre-based NGA fixed line services, including FTTH, improving our 3G mobile network and rolling out 4G services, offering bundled telecommunications services which now include mobile services for our business customer segment. If these programmes are not successful, 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, Energy, and Natural Resources published the National Broadband Plan in August 2012 in which targets were set out for broadband speeds to be achieved by 2020. Minister Alex White launched the Government's NBP strategy at a public event on 15th July 2015. All key elements of the strategy are now out for consultation including technology, network ownership, funding options, scope of the intervention map and the Department's NBP cost benefit analysis. The consultation response deadline is 14th September 2015. This proposed 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 during our FY15/16.

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 us. This initiative would increase the number of addressable subscribers and result in growth of the overall market.

The outcome of this bidding process could range from a low to high level of utilisation of our infrastructure and therefore could 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, 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. We continuously makes 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. If these efforts are not successful, or if brand promotion efforts by our competitors are more successful, our business, financial condition and results of operations could be materially adversely affected.

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

We operate in an industry characterised by rapid technological and market changes. We are presently undergoing a major investment programme, with our main capital expenditure commitments being in relation to the rollout of the NGA network, investments to roll out 4G services and enhancing current services, investment in new IT capabilities and TV. We expect to fund our capital expenditure programmes through cash on hand and cash flow from operations. As new technologies are developed, we may incur significant investment programmes in order to implement such technologies and 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 programmes.

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 programme 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, as well as investments in spectrum to roll out 4G services, investments in new IT capabilities and TV and a new converged billing system which will provide customers with a single bill for fixed and mobile products. The Directors expect significant benefits to be realised as a result of these investments. In particular, the investments in our NGA and 4G networks not only enable eircom to meet customers' strong demand for high speed data, but are also a key component of our bundling strategy. There can be no assurance, however, that the investments we have made in our NGA and 4G networks will generate the return anticipated by the Directors.

Our business, financial condition may be adversely affected as a result of our dependence on our network sharing agreement with Three Ireland (Hutchison) Limited.

In order to achieve costs 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 with Three Ireland. Failure to successfully achieve the efficiencies the Directors expect from the Mosaic network sharing agreement could have a material adverse effect on our business, financial condition and results of operations. Furthermore, actual costs synergies, if achieved at all, could be lower than expected and may take longer to achieve than expected.

Our high exposure to the prepay mobile market may negatively impact our revenue and results of operations.

At 30 June 2015, 56 per cent. of our mobile customer base consisted of prepay users, which is higher than that of our main competitors. Given the size of the prepay customer base, our mobile business does not have the same level of recurring billed revenue associated with postpay contracts as other MNOs, and is therefore more exposed to volatility in

customers' short-term usage replenishment patterns than our competitors. We implemented a number of initiatives aimed at reducing our exposure to the prepay business, including the rollout of new bundling strategies and targeting the migration of high value prepay subscribers to postpay. These strategies have contributed to a significant increase in the proportion of postpay customers in our subscriber base but there can be no assurance that these strategies will continue to be successful. If we are unable to continue to increase the proportion of postpay customers in our subscriber base, 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 incentivised 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 systems and equipment capable of interfacing, where necessary, with our mobile systems.

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 adequate systems and services to us and our customers, could have a material adverse effect on our business, financial condition and results of operations.

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 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. The Directors cannot currently predict with certainty how emerging and future technological changes will affect our operations, nor can they 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 centre 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.

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 and we may lose existing subscribers to our competitors, or we may be required to make unbudgeted investments. In addition, our future and ongoing 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.

We may 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 financial 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 programme of initiatives across the Business.

We undertook a further external cost benchmarking exercise during the financial year, and the Directors believe that there are further opportunities to achieve an upper second quartile cost base compared to peer group organisations.

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 the Directors 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 realise 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 recognised 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, amongst 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 budgeted future cash flows of the group or an increase in the WACC could result in a further impairment of its 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 action 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 recognised trade unions participate.

These agreements provide for a dispute resolution process whereby we would utilise the services of the Labour Relations Commission (the "LRC") in the case of genuinely exceptional matters and in circumstances where

disagreements persist following the exhaustion of all internal procedures. At 30 June 2015 approximately 53 per cent. of our employees were subject to collective bargaining agreements.

Following the significant reduction in workforce numbers, which was achieved without any disruption to our business as a result of industrial action, the more likely potential for disruption in the event of industrial action lies with our service providers e.g. customer contact centre providers.

This risk is mitigated by commercial arrangements and wider stakeholder management

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. Dublin has become a European Hub for digital flagship companies such as Google, Facebook, Amazon, and LinkedIn etc. Retaining qualified commercial, technical and key leadership employees has become more challenging in the digital/communications industry where there is significant competition for skilled and experienced personnel. An inability to retain very marketable key people will cause disruption to our operations and may impact our ability to deliver our financial plans, which could have a material adverse effect on our business, financial condition and results of operations. Therefore, we have implemented a comprehensive People Strategy providing challenging work assignments, cascading of local decision making, competitive terms and conditions, career development, and a clear vision and purpose for all our people. We have re-introduced companywide pay increases, bonus payments and a new approach to how we manage performance and grow people.

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. Unless we start to replenish this knowledgeable workforce, through apprentice and graduate recruitment, their exit 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. Therefore we have implemented a five year programme to recruit apprentices and graduates to ensure this knowledge and capability is not lost by the Company.

Any acquisitions or divestitures made by eircom could disrupt our business and materially harm our financial condition, results of operations and cash flows. There are integration and consolidation risks associated with potential future acquisitions and divestitures. Future acquisitions and divestment 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 may, from time to time, consider certain acquisitions or divestitures, in markets where we currently operate as well as in markets in which we have not previously operated. However, 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, financial and other resources to successfully integrate future acquisitions. Acquisitions and divestitures involve numerous other risks, including the diversion of management's attention from other business concerns, undisclosed risks impacting the target 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 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. 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 or other natural disasters, power outages, unanticipated IT problems, computer viruses and equipment, system or infrastructure failures which could damage our business. 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 or economic loss.

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, 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.

Misuse of our fixed-line and mobile networks by customers or others 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 digitalised, 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 unauthorised 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 the Directors believe are well known in the telecommunications markets in which it operates, are important to our business. A significant portion of our revenue is derived from products and services marketed under our brand names. It relies 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. Alternatively, a third party may allege that one of our suppliers or customers is infringing our 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, 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 it takes 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 centre agents, and it is possible that such third parties could also experience system failures involving the storing or the transmission of proprietary information. 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.

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 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 loss. Upon considering these factors and any other known relevant facts and circumstances, we recognise 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 the Directors' 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 materialise, 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 2437 employees at 30 June 2015, or 70 per cent. of all employees. The pension scheme also covers a significant number of past employees, including 6263 deferred members and 8051 pensioners at 30 June 2015. 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 us or from employees or a reduction in benefits or a combination of these measures.

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 30 September 2013 of €131 million and an employer contribution rate for future service of 8.5 per cent. 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 31 March 2012, 2013, 2014 and 2015 and no additional funding was required. 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 it 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 determination of our consolidated provision for income taxes and other tax liabilities requires estimation, judgement and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by authorities in various jurisdictions, including the Revenue Commissioners in Ireland and HMRC in the United Kingdom. If a tax authority in any jurisdiction where we do business reviews any of our tax returns and proposes an adjustment, such an adjustment could have a negative impact on our business, results of operation and financial condition. We may incur tax liabilities for prior periods in excess of those provided for in the financial statements and the tax liabilities reported for prior periods may not be representative of liabilities payable for future periods.

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 and cost orientation obligations. ComReg has imposed cost orientation obligations using a number of costing methodologies. In some cases, for example local loop unbundling ("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 retail minus methodology 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 eircom) 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.

Furthermore, directed changes to regulated retail and wholesale prices may lead to reductions in charges which would reduce our revenue. ComReg issued a Consultation and draft Decision (ComReg 15/67) on July 3, 2015. The

Consultation proposes cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling and Pole and Duct access. ComReg also proposes to implement two new Margin Squeeze Tests between retail and wholesale line rental prices. ComReg has set September 25, 2015 for the response deadline. ComReg has indicated it intends to issue a Decision by the end of 2015 which would implement amendments to price controls for Current Generation Access products in 2016. ComReg may require us to reduce our charges, which would reduce our revenue.

By reducing the costs of our competitors and constraining our ability to lower prices in retail markets, the price controls could increase competition in our markets, and have a material adverse effect on our business, financial condition and results of operations.

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 July 2014 for the period to 31 December 2015. The establishment of a sharing mechanism, including in the form of a fund, is permitted 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 "Section 8: Regulation — The Regulatory Regime — USO Regime". Nonetheless, there can be no assurance that we will be compensated in the event that the net cost of the USO represents a burden to us.

Furthermore, under the Universal Service Regulations, ComReg is authorised 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 to achieve these targets in the first two years, ComReg required that we put in place a Performance Improvement Programme (PIP 1) for 2010/2011 and 2011/2012 with revised targets and associated performance bonds of €10 million for each year. There were agreed financial penalties in the event that performance targets were not met (up to the amount of the annual performance bonds). Following eircom's USO re-designation for the period July 2012 to July 2014, a new Performance Improvement Programme (PIP 2) was agreed with ComReg. As part of PIP 2, revised targets for line faults per 100 lines were agreed at 12.8 line faults per 100 lines for 2013/2014 There was a penalty of €1 million per 0.1 line faults per 100 lines of target missed with an overall cap of €10 million covering all service performance targets including line faults per 100 lines, speed of repair, and provisioning time. Between December 2013 and February 2014, a series of very severe storms hit Ireland on a rolling basis and caused considerable damage to our network. This resulted in unprecedented levels of faults in the network and delays in repairs and connection. As a consequence, our performance levels fell such that we did not meet the performance targets set in the PIP 2 Agreement for the 2013/14 period and were therefore exposed to a potential penalty of up to €10 million. On May 30, 2014, we submitted an application of force majeure to ComReg, which included an independent expert's opinion stating that the level of storminess experienced during the winter of 2013/2014 was the highest experienced in Ireland in at least 143 years. On October 31, 2015 eircom and ComReg entered into an out of Court agreement with both parties agreeing not to pursue the force majeure matter and for eircom to discharge its obligations under PIP2 for this period by paying ComReg a penalty of €2,500,000. A new performance improvement programme referred to as PIP 3 was agreed with ComReg to cover the period January 1, 2015 to December 31, 2015 (see ComReg 14/129). We remain exposed to the risk of financial penalties if we fail to meet the specified performance levels for the period 1 January 2015 to 31 December 2015. As a result, our business, financial condition and results of operations could be materially adversely affected.

On 7 August 2015, ComReg issued a consultation on the Universal Service Obligation provision of access at a fixed location which proposes extending our current USO obligation for a further 5 – 7 years. This consultation is likely to be followed by further consultations which will change the current terms of our USO obligations as from 1 January 2016.

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 12 September 2013, the European Commission published proposals for a draft Regulation, COM (2013) 627, to complete the European Single Market for Communications. The proposed Regulation set out a broad range of proposals, including changes to the general authorisation regime, spectrum licensing, consumer protection measures, roaming regulation, net neutrality and standardised NGA wholesale products. On June 30th, 2015, the Council of Ministers and European Commission announced that agreement had been reached on the text of amendments to the Roaming Regulations and on net neutrality rules only. It is understood that 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 will commence from April 2016 during which the mark-up for roaming retail charges will be limited to the wholesale price caps. The compromise text has yet to be voted on by the European Parliament. In addition, the European Commission announced in May 2015 a digital single market strategy covering on line services, digital networks and services and the digital economy to be implemented by the end of 2016. This includes a review of the EU Regulatory Framework. Proposals are expected to be published in September 2015. 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.

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

Under Irish planning legislation introduced in 2002, where a licence 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 licence 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 licence 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.

Risks Related to the 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 Senior Secured Loans, Notes and the Guarantees.

As at June 30, 2015, we had total gross debt (excluding our share of Tetra debt of €9 million) of €2.372 billion, including €2.022 billion under the Senior Facilities Agreement and €350 million under the Senior Secured Notes. All of this debt is senior secured under the Senior Facilities Agreement and the indenture that governs the Senior Secured Notes.

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

- making it difficult for us to satisfy our obligations with respect to the loans, notes and guarantees
- 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 Senior Secured 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.

We are subject to restrictive debt covenants, both under the indenture governing the Senior Secured Notes and under the Senior Facilities Agreement, which may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The indenture governing the Senior Secured Notes and the Senior Facilities Agreement may restrict or limit, 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 are subject to significant exceptions and qualifications. See *"Description of the Senior Secured Notes 2020"*. 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"*.

We 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 on-going 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 majority of the amount under the Senior Facilities Agreement (€1,863m) will mature in May 2022, with the remainder (€159m)

maturing in September 2019. See "*Description of Other Indebtedness*." At the maturity of 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 the company, 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 give assurances 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 the Senior Facilities Agreement and the Indenture and any future debt may limit our ability to pursue any of these 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 Senior Facilities and 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 does not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Risks Related to the Senior Secured Notes due 2020 ("The Notes")

The Notes and the Guarantees are subordinated to certain hedging obligations and may be subordinated to certain debt we may incur in the future, and such hedging obligations and indebtedness 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. In addition, the Intercreditor Agreement and the Indenture permit, under certain conditions, other "super priority" debt to be incurred under a revolving credit facility not to exceed €150 million, which would rank senior in priority of payment to the Notes and the Guarantees. 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 and any lenders under any such revolving credit facility 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 indebtedness under any "super priority" revolving credit facility that we may incur in the future, and only thereafter to repay the obligations under the Notes and the Senior Facilities Agreement. Any such "super priority" debt would 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 the collateral if the then-outstanding liabilities under such "super priority" debt, including hedging obligations in respect of the Senior Facilities Agreement and any future revolving credit facility, are greater than the proceeds realised in the event of enforcement of the collateral securing the Notes.

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 are permitted to incur significant additional indebtedness and other obligations that may be secured by the same 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 hedging arrangements could have effective control of all decisions with respect to the collateral. Pursuant to the Intercreditor Agreement, a common security agent serves as the Security Agent for the secured parties under the Senior Facilities Agreement 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. 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. Disputes may occur between the holders of the Notes and creditors under the Senior Facilities Agreement, the counterparties to the 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 are bound by any decisions of the Instructing Group, which may result in enforcement action in respect of the collateral, 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 the hedging arrangements or the holders of any permitted additional indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the 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 (See: *Description of Other Indebtedness – Security*), which collateral also secures the obligations under Senior Facilities Agreement. 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 and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, among others, the ability to sell the collateral in an orderly sale, the costs of realisation and any requirements to pay any of the proceeds to preferential creditors such as tax authorities and employees, economic conditions where operations are located and the availability of buyers. The book value of the collateral should not be relied on as a measure of realisable 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 give assurances that there exists 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 of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding.

In addition, the 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 subject to regulations and permitting 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, the grant of permits and licenses may be revoked, the transfer of such permits and licenses may be prohibited or may require the company to incur significant cost and expense. Further, we cannot give assurances 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, are delayed or are 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 decreased.

It may be difficult to realise 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 are subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture 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 realise 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 are 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 give assurances that the Security Agent will be able to obtain any such consents. We also cannot give assurances that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the collateral may decline significantly.

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

The security interests in the collateral that secure the company's obligations under the Notes and the obligations of the Guarantors under the Guarantees have not been granted directly to the holders of the Notes but were granted only in favour of the Security Agent. The Indenture provides (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Notes do not have direct security interests, and are not entitled to take enforcement action in respect of the collateral securing the Notes, except through the Trustee, who (subject to the applicable provisions of the Indenture and the Intercreditor Agreement) provides instructions to the Security Agent in respect of the collateral.

Risks Related to the Structure of the Company

The Issuer of the Notes 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 is dependent upon payments from eircom and other members of the Group to meet its obligations, including its obligations under the Notes. The company and its subsidiaries provides funds to the Issuer in order for the Issuer to meet its obligations under the Notes through interest payments on the Note Proceeds Loan Agreement or other intercompany loans. If the company does not fulfil its obligations under the Note Proceeds Loan Agreement 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 the case of a Guarantee (other than the Guarantee by eircom or EHIL), in connection with any sale or other disposition to any third party of ownership interests in the Guarantor such that the Guarantor does not remain a restricted subsidiary, or the sale or disposition of all or substantially all of the assets of the Guarantor to a third party, in each case, otherwise permitted by the Indenture;

- in accordance with the "*Amendments and Waivers*" provisions of the Indenture;

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;

- with respect to the property and assets securing the Notes, automatically if a security interest granted in favour of the Senior Facilities, 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.

See "*Description of Other Indebtedness - Intercreditor Agreement*" and "*Description of the Senior Secured Notes"*.

The Notes and each of the Guarantees are each structurally subordinated to the liabilities and preference shares (if any) of the company's 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 the company's 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 the company's 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 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 priority retained if the company, 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 defences 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 favour 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 give assurances 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 that our other 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, the 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. The ability of the Issuer to receive cash to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by the company's then existing financial resources.

Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under certain other indebtedness. See *"Description of the Senior Secured Notes."*

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 the company 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 Senior Secured Notes*," 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 the company's consolidated leverage ratio is less than certain specified levels. See "*Description of the Senior Secured Notes*". The definition of "Change of Control" in the Indenture includes a disposition of all or substantially all of the assets of the Issuer 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.

Irish insolvency laws may not be as favourable to you as U.S. or other insolvency laws that you may be familiar with.

In Irish insolvency proceedings, any payment made under the Notes may be held to be invalid if the payment was intended to give the relevant creditor a preference over other creditors and at the time of payment the company was unable to pay its debts as they become due. A payment will only be held invalid in the context of insolvency proceedings in these circumstances if:

- proceedings to wind up the entity making the payment are commenced within six months (or 24 months if the payment is to a person connected to the payer) after the date the payment was made; and

- at the time payment was made and at the time the winding up proceedings were commenced, the entity making the payment was unable to pay its debts, taking into account its contingent and prospective liabilities.

The entry into of, or any payment under the Notes or under the Guarantees, or the creation of, any security interests under the Issuer's or any Guarantor's assets can also be set aside on the application of a liquidator, creditor or contributory of a company which is being wound up or a receiver or examiner of a company in receivership or examinership respectively if the effect of the payment was to perpetrate a fraud on the company, its creditors or members, although a court will have regard to the rights of the recipient of the payment if they receive the payment in good faith and for value.

Irish case law provides that when a company is insolvent or near insolvency, its assets are held for the benefit of its creditors so any payments by the Issuer under the Notes or the entry into or payment by the Guarantors under the Guarantees or the creation of any security by the Issuer or any of the Guarantors may be subject to challenge if the company or guarantor was either insolvent or near to insolvency.

Centre of Main Interests

A company's centre of main interest ("COMI") is important in insolvencies of companies based in the European Union in that it determines where main insolvency proceedings can be commenced against that company. There is a rebuttable presumption that our COMI is in Ireland and, consequently, that any main insolvency proceedings applicable to us would be governed by Irish law. However, this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. There is a risk that, if our COMI is not in Ireland, and is held to be in a different jurisdiction, main insolvency proceedings may not be commenced in Ireland.

Preferred Creditors under Irish Law and Floating Charges

The collateral securing the Notes includes, in a number of cases, fixed charges. The essence of a fixed charge is that the person creating the charge does not have liberty to deal with the assets which are the subject matter of the security in the sense of disposing of such assets or expending or appropriating the moneys or claims constituting such assets. Accordingly, if and to the extent that such liberty is given to a Guarantor or the Issuer, any charge constituted by the Security Documents may operate as a floating, rather than a fixed charge. In particular, the Irish courts have held that in order to create a fixed charge on receivables it is necessary to oblige the chargor to pay the proceeds of collection of the receivables into a designated bank account and to prohibit the chargor from withdrawing or otherwise dealing with the monies standing to the credit of such account without the consent of the chargee. Depending upon the level of control actually exercised by the chargor, there is therefore a possibility that security created over a Guarantor's or the Issuer's assets may be regarded by the Irish courts as a floating charge.

Floating charges have certain weaknesses, including the following:

- they have weak priority against purchasers (who are not on notice of any negative pledge contained in the floating charge) and the chargees of the assets concerned and against lien holders, execution creditors and creditors with rights of set-off;

- they rank after certain preferential creditors, such as claims of employees and certain taxes on winding-up;

- they rank after certain insolvency remuneration expenses and liabilities;

- the examiner of a company has certain rights to deal with the property covered by the floating charge; and

- they rank after fixed charges.

In addition, in certain other circumstances there are other taxes which may rank senior to a fixed charge including capital gains tax and, as regards security over book debts and certain bank accounts, PAYE and VAT.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act, 1992, and Companies Act 2014, to facilitate the survival of Irish companies in financial difficulties. During the period of examinership, an examiner will formulate proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern.

The primary risks to the holders of Notes if an examiner were appointed to any Guarantor or the Issuer are as follows:

- the potential for a compromise or scheme of arrangement being approved involving the writing down or rescheduling of the debt due to Noteholders;

- the potential for the examiner to seek to set aside any negative pledge in the documents pertaining to the Notes prohibiting the creation of security or the incurring of borrowings by a Guarantor or the Issuer to enable the examiner to borrow to fund that Guarantor or the Issuer during the protection period; and

- in the event that a scheme of arrangement is not approved and a Guarantor or the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Guarantor or the Issuer and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Guarantor or the Issuer to, ultimately, the holders of the Notes.

A compromise or scheme of arrangement under an examinership may be implemented with the support of a majority in number (also representing a majority by value) of just one class of creditors subject to confirmation by the Irish High Court that the compromise or scheme is not unfair or inequitable or unfairly prejudicial to non-consenting classes of creditors. The Irish High Court has in practice held that proposals under a compromise or scheme, including

the impairment of non-consenting classes of creditors are not unfair, inequitable or unfairly prejudicial where the impairment of a non-consenting class is not worse than they would suffer in a winding up or liquidation. This occurred, for example, during the eircom examinership in 2012 which resulted in a write down of a portion of its debt. As a result, in an examinership holders of the Notes could have their interests impaired even if the holders do not vote in favour of the compromise or scheme or arrangement where another class of creditors, such as the senior lenders under the Senior Facilities support the compromise or scheme.

Personal Insolvency Act 2012

Significant changes to the personal bankruptcy regime in Ireland have recently been brought into effect by the Personal Insolvency Act 2012. The legislation introduces into Irish law a range of non-judicial debt settlement arrangements. To the extent that an individual becomes insolvent and successfully obtains a non-judicial debt settlement arrangement, his or her unsecured debts (including debts in respect of utility bills) could be written off or written down. Although it is too early to tell what the likely impact of the new legislation will be, there is a possibility that such arrangements could be obtained by eircom's customers resulting in write-offs or write downs of unpaid bills. In such circumstances, there is a risk that the financial position of any relevant Guarantor could be adversely affected. Our billing procedures are designed to ensure prudent invoicing practices. However, there is a risk that if customers availed of debt settlement arrangements in sufficiently large number, this could impact our ability to pay interest and principal on the Notes.

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 give assurances of:

- 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.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, the operating results of the company 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 the Notes are listed on the Irish Stock Exchange to trade on the Global Exchange Market, 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 another 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 the Guarantors and their respective subsidiaries are organised outside the United States, and our business is conducted entirely outside the United States. The directors and executive officers of the Issuer and the Guarantors are non-residents of the United States. Although the company 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 these directors and executive officers. In addition, as all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are 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.

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.

Independent credit rating agencies have assigned 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.

The Notes and the Guarantees have not been registered under, and the company is not obliged to register the 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. The company has not agreed to or otherwise undertaken to register the Notes or the Guarantees, and does 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 (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 Citibank N.A., 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, the company 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 give assurances 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.

The independent auditors' report for eircom Holdings (Ireland) Limited is included on page F-2 of this Annual Report. In accordance with guidance issued by The Institute of Chartered Accountants in Ireland, each of the independent auditors' reports state that: they are made solely to EHIL's members, as a body; the independent auditors' audit work was undertaken so that the independent auditors might state to the Company'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 the Company and the Company's members as a body for their audit work, their audit report or for the opinions they have formed.

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 the holders of the notes) other than the Company and its members as a body with respect to the report and to the independent auditors' audit work and opinions. 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.

Risks Related to Our Ownership

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

As a result of the Examinership, eircom was transferred to EHIL, a 100% owned subsidiary of eircom Holdco S.A., which was entirely owned by the first and second lien senior lenders under our previous senior facility, excluding a small number of non-participating lenders. 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. Prior to April 2014, the Senior Facilities Agreement and the Security holders 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. 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. Notwithstanding the end of the staple, there continues to be an overlap between the shareholders in eircom Holdco S.A. and our senior lenders. Consequently, the interests of the 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).

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 eircom Holdings (Ireland) Limited and the related notes to those financial statements. eircom Holdings (Ireland) Limited has prepared its audited consolidated financial statements for the years ended June 30, 2014 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 group adopted IFRS 11 'Joint Arrangements' on July 1, 2014. The new standard is to be applied retrospectively and accordingly the group has restated the comparative periods. For more information see Note 40 to the EHIL consolidated financial statements for the year ended June 30, 2015 contained elsewhere in this Annual Report.

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. See Note 40 of the financial statements for details of the impact of the adoption of new accounting standards, requiring the use of equity accounting for the Group's share of its joint venture result, on the statutory presentation of accounts.

Overview

We are the sole integrated telecommunications provider in Ireland, offering a range of bundled services including high speed broadband, TV and mobile.

A core element of our strategy is providing services which offer customers the convenience of receiving high-speed broadband, TV, fixed-telephony and mobile services from a single provider at an attractive price on one bill. In October 2012, we launched our first fixed-mobile convergence ("FMC") bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings, and at the end of June 2015, we had 110,000 FMC customers. We commercially launched eVision, our own IPTV service, over our fibre network in January 2014, making us at present the only quad-play provider of fixed voice, data, mobile and TV services in Ireland. At the end of June 2015, 40,000 customers were availing of our TV proposition.

Our strategy is underpinned by the major programme of capital expenditure we have undertaken to facilitate the transformation of our business and enable us to respond to the challenges faced by the telecommunications industry. Our capital expenditure has mainly related to the roll-out of our NGA network, as well as investments in spectrum, the roll out of 4G services, new IT capabilities, TV, and a new converged billing system which provides customers with a single bill for bundled services.

We are the market leader in fixed-line telecommunications and provide services, including voice, high speed broadband, TV and data services, to individual consumers and business users under the eircom brand, and voice, broadband and data services to wholesale customers via eircom Wholesale. Our retail fixed-line business is composed of "consumer" and "business" end customers with whom we have a direct network and billing relationship, and is distinct from our wholesale business, in which we do not have a direct relationship with the end customer. Our share of the Irish fixed-line market was 47% for the quarter ended March 31, 2015 *(Source: ComReg)*, based on revenue. At June 30, 2015, we had 1.3 million fixed voice subscribers and 782,000 Group broadband subscribers. Fixed-line services accounted for 73% of total revenue (before inter-segment eliminations) in the financial year ended June 30, 2015. We have the most extensive fixed-line telecommunications network in Ireland in terms of both capacity and geographic reach. We are investing over €400 million in a Next Generation Access ("NGA") network that will provide fibre based services to customers mainly through the deployment of Fibre to the Cabinet ("FTTC"). We expect to rollout fibre to approximately 1.9 million premises by 2020 reaching over 80% of the population. At June 30, 2015, we had passed 1.3 million premises with fibre, enabling broadband speeds of up to 100 mb/s for 281,000 of our customers. We are overlaying fibre to the home ("FTTH") and fibre to the distribution point ("FTTDp") across parts of our NGA network. These services are scheduled for commercial launch in Autumn 2015.

We are the third largest mobile telecommunications provider in Ireland and offer 2G, 3G and 4G services under our Meteor and eMobile brands. We offer these services primarily to consumers and more recently to business customers. Our share of the Irish mobile market was 18.8% *(Source: ComReg)* for the quarter ended March 31, 2015, based on subscribers (including mobile broadband and M2M). Our customer mix is steadily improving, with the proportion of postpay subscribers having increased to 44% (including mobile broadband and M2M) for the quarter ended June 30, 2015, compared to 40% share of postpay subscribers as at June 30, 2014. We were first to market with the launch of 4G services in September 2013 and 4G population coverage at June 30, 2015 was 67%. At June 30, 2015, we had 608,000 and 475,000 prepay and postpay subscribers respectively. Mobile services accounted for 27% of total revenue (before inter-segment eliminations) in the financial year ended June 30, 2015.

Revenue for the year ended June 30, 2015 was €1,265 million and Adjusted EBITDA was €481 million.

Key Factors Affecting Results of Operations

Current Economic Climate

Substantially all of our revenue, in both the fixed-line and mobile telecommunications markets, is generated in Ireland and because of this, our business is influenced by the condition of the Irish economy. Historically, the telecommunications sector has shown a positive correlation with GNP.

Between 2000 and 2007, the annual average growth in real GDP and real GNP was 5.7% and 5.0%, respectively. Between 2008 and 2011, real GDP declined by 5.4 % while real GNP declined by 10.1%. This decline in GDP and GNP impacted expenditure on telecommunications and the performance of telecommunications operators in Ireland, including eircom.

In 2013 and 2014, Ireland's real GDP showed signs of stabilisation, increasing by approximately 0.2 per cent in 2013, and increasing by 4.8% in 2014 respectively, compared to the prior years. GNP, which is generally considered to be a better measure of the performance of the Irish economy, grew by 3.3 per cent in 2013 and 5.2% in 2014. Unemployment has continued to fall from 13.1 per cent. in 2013, to 12.0 per cent. in the first quarter of 2014 and to 9.9% in the first quarter of 2015 according to the Central Statistics Office (Ireland). Ireland exited from the Troika bailout in December 2013, and in January 2014 made a successful return to the bond market. All three credit rating agencies, Moody's, S&P and Fitch, upgraded Irish sovereign debt to investment grade during 2014. We believe that increasing consumer and business confidence coupled with the improving economic environment may have a favourable impact on spending on telecommunications services.

The economic downturn resulted in a reduction in economic activity and a consequent reduction in demand for telecommunications services. For instance, the number of mobile subscribers (in particular prepay subscribers) and revenue were adversely impacted by an increase in emigration levels. Similarly, fixed-line revenue was adversely impacted by the downturn in house construction, emigration, and customers seeking to reduce their outgoing spending as a result of a reduction in disposable income. Consumers have also spent less on an incremental basis, including by placing fewer calls, migrating to cheaper price plans and using alternative technologies to make calls over data networks. These trends put pressure on the growth prospects of the Irish telecommunications market in terms of the number of subscribers and ARPU. This in turn affected our revenue and Adjusted EBITDA. Adjusted EBITDA decreased from €482 million (excluding Phonewatch EBITDA of €11m) for the financial year ended June 30, 2013 to €469 million for the financial year ended June 30, 2014. For the financial year ended 30 June 2015 the performance of the business has improved with EBITDA growing to €481 million following the stabilisation of the fixed line business and the increasing profitability of our mobile business. Our ability to continue to increase Adjusted EBITDA will depend on the successful execution of our strategy, including our ability to generate revenue from investments in our fibre network, 4G, IPTV and other programmes as well as maximising operational efficiencies.

Changes in Market Dynamics

Irish fixed line telecommunications market

Our fixed-line service revenue 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. The loss in retail voice traffic has contributed to a decline in our retail fixed-line service revenue, which is consistent with the experience of other fixed-line operators across the telecommunications industry. Price decreases in the Irish mobile market and the availability of higher capability mobile broadband, including newer improved services that will be facilitated by 4G technology, are factors that may contribute to further fixed-to-mobile substitution.

Fixed line revenues in the quarter to March 31, 2015 represent 49% of total communications revenue (including wholesale and broadcasting retail revenue) in Ireland *(Source: ComReg)*. Our share of revenue in the Retail fixed line market declined from 47.5% for the quarter ended June 30, 2014 to 46.1% for the quarter ended March 31, 2015. Our share of the fixed line revenue market has declined in the face of competition from alternative retail fixed telecoms providers (such as UPC, Vodafone and most recently Sky) and wholesale fixed telecom providers (such as BT) as well as from the continued trend of mobile replacing fixed voice lines and minutes. All fixed line OAO competitors (other than UPC) rely on our network to varying degrees which generates wholesale revenue for eircom.

Therefore, despite the 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 Sky indirectly), and Three rely on our core and access networks for the provision of services to their end user consumers 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. Through our mobile business, we also secure a proportion of traffic that is lost due to fixed-to-mobile substitution. 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 UPC.

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 and packages that may include reduced prices or unlimited usage for certain categories of calls, such as fixed-to-mobile calls.

The Irish fixed broadband market continues to grow, with total lines increasing by 4.8% from 1,213,000 at March 31, 2014 to 1,271,000 at March 31, 2015 (*Source: ComReg*). During this period, consumer fixed broadband penetration in Ireland rose from 62% to 65%. Growth in fixed broadband penetration is being driven by the demand for high-speed broadband services which continues to rise as consumption of services requiring high bandwidth increases, such as OTT and video streaming, increase. We therefore 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. We will also continue to migrate existing eircom customers to high speed broadband (efibre) while simultaneously attracting new customers through superior high-speed broadband capabilities and the provision of TV and bundled services.

At June 30, 2015, we had invested over €310 million in our NGA fibre network, passing 1,300,000 premises and connecting 281,000 retail and wholesale customers. We aim to extend this footprint to 1.9 million premises by 2020 reaching 80% of the premises in the country. Combined with state-of-the-art vectoring technology, we are currently able to provide customers with up to 100Mbps broadband and IPTV over the same connection. The initial fibre roll-out was focused in urban areas enabling us to compete directly with UPC's offering to customers within its footprint. The current and future roll-out will primarily be based in more rural areas where there is currently no competing infrastructure.

As a consequence of the aforementioned, we believe that the trend in decreasing access lines has largely stabilised and the number of eircom Retail access lines will remain largely stable, driven by demand for broadband rather than fixed voice services.

Irish TV market

In March 2015, the Irish TV market covered approximately 1.6 million households *(Source: Nielsen)*. Satellite represented the most widely adopted broadcasting medium, attracting 47% of total connections to TV households (including secondary subscriptions), followed by aerial and cable with a 32% and 20% share respectively, and IPTV with a 1% share of all TV connections including homes with multiple connections. The main providers of primary pay TV services were Sky and UPC, which had primary TV market shares as at March 31, 2015 of 45.5% and 23.8% respectively *(Source: Nielsen).* eircom launched Pay TV services in January 2014 and provides TV in product bundles alongside broadband, voice and mobile services. Nielsen's market estimates are based on claimed research asserting IPTV makes up 1.4% of the pay-TV market. Adjusting for eircom's internally reported TV base the eircom share of the TV market is 3.1%. According to Analysys Mason the traditional pay-TV market (excluding OTT) is forecast to grow by more than 150,000 by 2020 representing CAGR of 2.5%.

Irish mobile telecommunications market and landscape

The total number of subscribers in the Irish mobile telecommunications market has levelled off, a trend we expect to continue. As of March 31, 2015, Ireland had a mobile penetration rate of 124.8%, including mobile broadband and M2M (and 105.1%, excluding mobile broadband and M2M) (*Source: ComReg*). Market growth is expected to be driven largely by new services such as B2B mobile services, bundled offerings and content. Accordingly, mobile operators' ability to increase their revenue and defend and grow their subscriber bases 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 communications 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 prepay and postpay.

Our main mobile competitors include Vodafone and the recently merged Three/O2 Ireland organisations. All operators are licenced to operate 2G, 3G and 4G networks. On November 15, 2012, ComReg announced the results of its multi band spectrum auction, in which we were awarded spectrum rights in the 800 MHz, 900MHz and 1800 MHz bands. We are using 800 MHz and 1800 MHz to roll out 4G services which were launched in September 2013 and are already covering 67% of the population. Furthermore, we have been deploying 3G at 900 MHz, using UMTS 900 capability to improve 3G in-building penetration and coverage, which is already delivering improved 3G coverage and data speeds for over 96% outdoor population. This spectrum acquisition positions us very well to deliver a significantly improved experience for our existing customers and to grow our mobile business utilising state-of-the-art 4G technology. Following the approval of the acquisition of O2 by Hutchison Whampoa, by the European Commission on May 28, 2014, UPC and Carphone Warehouse are entering the mobile market as MVNO's.

We currently offer mobile services under the Meteor and eMobile brands. Meteor was historically targeted at prepay customers in the under 25-year old market segment and at value conscious customers. It has now been repositioned to also appeal to higher value postpay subscribers (which have a lower propensity for churn). eMobile, launched in September 2010, is predominantly used as part of bundled service offerings, including mobile offerings to our fixed line subscribers, and to business markets (which was launched in December 2012). Competitive factors include, among other things, new services and products, improved network coverage and quality, wider choice of handsets, pricing of mobile services and handsets, the quality of customer service and changes in consumer preferences.

In the overall mobile sector eircom Group Mobile (eMobile and Meteor) had 18.8% share of the total subscriber market (including mobile broadband and M2M) by number of subscriptions as at March 31, 2015, which was broadly flat compared to the same period in the prior year. Vodafone and (the recently merged) Three Ireland/O2 shares of the subscription market for the quarter ended March 31, 2015 were 38.2% and 35.4% (including mobile broadband and M2M), respectively, down from 38.8% and 36.0 %, respectively, at the quarter ended June 30, 2014. Market share by subscribers for the quarter ended March 31, 2015 for Tesco Mobile, the largest MVNO in the market, (including mobile broadband and M2M), was 5.3% (*Source: ComReg*). Excluding Mobile Broadband and M2M, eircom Group Mobile (eMobile and Meteor) had 20.7% share of the subscription handset market at March 31, 2015 compared to 20.4% at June

30, 2014. In terms of revenue market share, eircom had an 18.9% share of the total revenue market at March 31, 2015 representing an increase from 17.9% for the quarter ended June 30, 2014.

The Irish mobile telecommunications market has also recently experienced a trend in migration from prepay to postpay contracts. Our postpay customer base has experienced strong growth: subscriber numbers were 469,000 (including mobile broadband and M2M) as of March 31, 2015, representing an increase of 13% or 55,000 net additional postpay subscribers compared with March 31, 2014, despite total postpay market growth in Ireland of just 6.4% in the same period (*Source: ComReg*). We obtained 32% of all postpay net additions in the year ended March 31, 2015 (according to ComReg). As of June 30, 2015, 44% of our mobile subscribers were postpay customers, an increase from 40% as at June 30, 2014. We had 475,000 postpay subscribers (including mobile broadband and M2M) as of June 30, 2015. Growth in our postpay base has been partly driven prepay to postpay migrations and our roll out of campaigns encouraging postpay take up, specifically with mobile data offers. The penetration of smartphones in the handset base was 70% at June 30, 2015.

The prepay market in Ireland has been declining over the past few years, in part due to emigration and the adverse economic climate. Our mobile prepay customer numbers (including mobile broadband and M2M) as of June 30, 2015 were 608,000, representing a reduction of 3% compared to June 30, 2014. At the end of June 30, 2015, 56% of our mobile customer base (including mobile broadband and M2M) consisted of prepay subscribers, compared to 60% at June 30, 2014. This reduction is in line with our strategy to migrate our higher value demographic prepay customer base to postpay. Our proportion of prepay customers by subscriber number is higher than our main competitors but continues to reduce. As of March 31, 2015, the proportion of prepay customers by subscriber numbers for Vodafone and (the newly merged) Three/O2 were 48.4% and 43.5% respectively *(Source: ComReg).* The overall market proportion of prepay customers as at March 31, 2015 was 51.5% down from 54.2% for the same period in the prior year.

Prepay churn rates remain in line with the prior year period and indications are that the suite of Simplicity tariffs launched in July last year has improved churn within higher value longer tenure subscribers. The Simplicity range of products has also been successful in stabilising Prepay ARPU. This continues to be a key area of focus, and we expect improvements through the recent launch of new data bundles and also with the launch of 4G for prepay subscribers during the financial year.

Liberalisation of the Irish telecommunications market and increasing competition

The Irish telecommunications market was fully opened to competition on December 1, 1998. Competitors quickly entered the market, and we now compete with a number of OAOs, including UPC and Sky in the provision of voice and data services. See *"Regulation"*.

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 inter alia:

- directing us to offer carrier pre-selection single billing through WLR and agency rebilling;
- directing us to provide partial private circuit services to our competitors;
- directing us to provide wholesale Ethernet products to our competitors;
- 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 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;
- introducing obligations in the wholesale markets to provide wholesale services to OAOs that are equivalent to the retail services provided by eircom;

- implementing obligations across the industry to facilitate customers who wish to change operators, including enabling the porting of numbers in one working day;

- requiring us to introduce LLU and related products, including Inter and Intra Operator Migrations, which facilitate easier transfer of lines to competitors;

- introducing regulation of NGA services including requiring that the NGA be "open access" meaning that it is open to other licensed operators in the market on a wholesale basis; and

- chairing several industry fora, specific to developing regulated access products, which are attended by eircom Wholesale (as the SMP operator), eircom Retail and OAOs.

Decisions, currently deemed acceptable, relating to NGA pricing and price bundling have established clarity regarding key regulatory rules on eircom'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.

We have introduced significant discount packages and bundled promotions, for both fixed line and mobile services, in order to retain customers and increase usage of our products and services in the current environment.

Competition

The level of competition in the Irish fixed-line telecommunications market has had an impact on our Retail fixed-line service revenue. 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 UPC, Vodafone, Imagine, BT, eNet and Sky. We are able to regain a significant proportion of retail access lines lost through our wholesale business, 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 UPC 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. Increased competition may result in a further decline in our fixed line market share in the future.

Our main mobile competitors include Vodafone and the recently merged O2 and Three Ireland. Competition, together with decreases in MTRs mandated by ComReg, has contributed to decreases in mobile market ARPU in recent periods. The O2 and Three Ireland transaction was conditionally approved by the European Commission on May 28, 2014. The approval was conditional on Hutchison Whampoa's provision 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 eircom's mobile services. These improved terms and conditions are reflected in a Memorandum of Understanding which was signed by eircom and Three Ireland on August 26, 2014 and effective from August 27, 2014. The European Commission's decision leaves open the possibility for the two MVNOs to become full MNOs at a later date. To facilitate this, Hutchison 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 UPC was announced in May 2014 whilst 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. UPC Ireland is expected to launch their new mobile business later in 2015. 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 rollout FTTB to selected urban and semi-urban areas, starting with Cavan town and ultimately targeting 500,000 premises at an estimated cost of €450 million. SIRO will offer wholesale services using fibre attached to the access infrastructure of the ESB. 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, as described in greater detail below under "*Bundling*" and "*Capital Expenditure and Investment*".

Bundling

As a result of significant investment in our network, described below under "*— Capital Expenditure and Investment*", we are uniquely positioned to offer bundles of telecommunications services. To retain and attract new customers, we offer discount packages on calls, broadband, 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. This bundle has been positively received by our customers and take up has been strong with 110,000 customers at the end of June 2015. Following the commercial launch of our IPTV service over our fibre network in January 2014, we also began offering quad-play bundles and we are currently the only operator in the Irish market offering quad-play bundles. Bundling has already had a favourable impact on our business, resulting in a steady increase in the number of RGUs per customer over the last year.

Our provision of services and our prices are subject to extensive regulation, including 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 for certain products and services orientation reflects the forward looking incremental costs of an efficient operator, rather than the actual costs incurred by eircom.

Following a consultation process in relation to retail bundling, ComReg published its Final Decision D04/13 (*ComReg 13/14*) on February 8, 2013. Arising from the decision, we must continue to obtain prior ComReg approval before launching bundles with a retail line rental component. However, the notification period has been reduced from fifteen to five working days before launch. This decision provides pricing flexibility in bundled services which includes: 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 introduction of portfolio approach for the margin squeeze test with relaxation of individual product by product tests which also allows us to obtain approval faster than prior to the decision. See "*Regulation— SMP Regulation of eircom's retail fixed access products and services—Retail Price Regulation*".

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 with mobile.

Mobile termination rates ("MTR")

Following completion of a market review consistent with EU recommendations, ComReg imposed further reductions in MTR price caps which will ensure MTRs are regulated on a symmetrical basis. From January 1, 2013, as per ComReg direction, all MNOs and MVNOs had to set their prices no higher than 2.60 cents per minute. This was an interim step towards a price cap of 1.04 cents per minute which was implemented from July 1, 2013. The 1.04 cents per minute rate is based on benchmarks, as ComReg had not yet built the appropriate cost models for Ireland.

On December 18, 2012 Vodafone lodged an appeal to the High Court challenging the basis for calculation of the MTR rates and in November 2013, the Irish High Court ruled against ComReg's appeal for a stay on MTRs at 1.04 cents. The impact of the ruling was that average MTRs reverted to 2.6 cents with retrospective effect from July 1, 2013. All operators, including eircom/Meteor, have applied the higher rate from that date. ComReg has developed and consulted on a cost model and is aiming to issue a Decision on the maximum permitted MTR determined by their model by the end of 2015.

Whilst 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 a major programme of capital expenditure to facilitate the transformation of our business and enable us to respond to the recent trends experienced by the telecommunications industry. The years ended June 30, 2013, 2014 and 2015 represented peak years for capital expenditure, totalling €424 million, €325 million and €279m respectively. Our capital expenditure has mainly related to the roll-out of our NGA network, as well as investments in spectrum to roll out 4G services and improve 3G coverage and capability, investments in new IT capabilities and TV, a new billing system which will provide customers with a single bill for fixed and mobile products and general maintenance capital expenditure.

On May 20, 2013 we launched high speed broadband services over our NGA network, and with the aid of vectoring, a technology enhancing capability, we now offer speeds of up to 100Mbps. The company expects to roll-out FTTC with vectoring and eVDSL (Exchange launched Very-high-speed Digital Subscriber Line) along with the FTTH and FTTDp to 1.9 million premises by 2020. As of June 2015 our roll-out passed 1.3 million premises.

In FY2014/15 we announced our intention to introduce speeds up to 1Gb/s on FTTH. This service uplift is based on an extension of the existing NGA offering leveraging on our in-situ fibre. It is planned that this high speed FTTH based connectivity will be offered, on a demand-led basis, across the country. Phase 1 of this roll-out commenced in early 2015, with commercial launch scheduled for Autumn 2015. During the year, we also deployed FTTH in Belcarra, County Mayo, trialling the deployment of high speed broadband in rural communities.

Our NGA network is also expected to provide significant back-haul capacity to serve our mobile business and will also enable generation of incremental revenues by offering this capacity to other MNOs. The roll-out of fibre 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 thereby contributed to decreasing churn over the past few quarters.

In addition to the investments we have made in our NGA network, we are continuing to invest in our mobile network. In September 2013 we became the first operator to launch 4G services and have continued our rollout of the 4G network which now supports over 85% of our customer base. The roll-out of 4G has helped to stabilise ARPU as it has facilitated upselling of postpay packages and driven increased data usage by our subscribers. The company launched 4G to prepay subscribers in November during the financial year. We have continued our investment in 3G data with extensive rollout of UMTS 900 in particular on the western seaboard and with an extension of dual carrier HSPA+ which supports speeds of 42 Mb/s. On June 30, 2015 we ceased our National roaming agreement in the west, south west and north west of Ireland following an extensive site rollout programme in the last 12 months. In the last year we have seen significant increase in mobile data traffic while our customers experience improved data speeds on both 3G and 4G services. We are planning to further increase 4G population coverage in the next 12 months whilst continuing to invest in improved customer experience on our network.

We have made significant investments in our IPTV service, eVision, which was commercially launched in January 2014, making us at present the only quad-play provider of fixed voice, data, mobile and TV services in Ireland. At 30 June 2015, we had over 40,000 subscribers availing of our eVision service. Furthermore, we plan to develop our TV platform to become an open access platform and by leveraging our fixed and mobile infrastructure we will provide TV everywhere with streaming available both in the home and on mobile devices outside the home for our eVision customers.

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 play bundles and quad-play bundles.

Restructuring and cost management programme

We have a strong track record of implementing effective cost reduction programmes and continue to focus on improving earnings and cash flows by reducing operational expenditure. 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 financial year ended June 30, 2012.

During this period, we reduced our employee headcount by over 2,000 full time equivalents (FTE) to achieve a right-size organisation of 3,391 FTE. This has delivered €82m in pay savings and has been achieved through a combination of efficiency measures and increased use of third party outsource providers. This has resulted in a significantly more flexible resourcing model.

We have achieved over €45m in non-pay cost reductions over the same period through a programme of cost reduction initiatives across the organisation.

We undertook a further external cost benchmarking exercise during the financial year. We continue to maintain our focus on cost transformation and the company believes that there are further opportunities to achieve an upper quartile cost base compared to peer group organisations.

Employee Defined Benefit Pension Scheme

We operate pension schemes for our employees. In particular, we operate a defined benefit pension scheme for 80% of our fixed-line employees (70% 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.

A full actuarial valuation was carried out at September 30, 2013, on both 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) at September 30, 2013 and at the scheme year ends of March 31, 2012 through to March 31, 2015. 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.

As at June 30, 2015, the eircom Superannuation Fund had a deficit in accordance with IAS 19 of €426 million. The increase in the deficit from €391 million as at June 30, 2014 is as a result of 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.

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.

Critical accounting policies

Our principal accounting policies for the financial year ended June 30, 2015 are set out in the notes to the consolidated financial statements of eircom Holdings (Ireland) Limited contained elsewhere in this Annual Report. These policies conform to IFRS, as adopted by the European Union.

We use estimates and judgements that affect the reported amounts in our consolidated financial statements and accompanying notes. The most sensitive estimates affecting our financial statements are disclosed in the notes to the consolidated financial statements of eircom Holdings (Ireland) Limited contained elsewhere in this Annual Report. (See Note 5 to the consolidated financial statements of eircom Holdings (Ireland) Limited for the year ended June 30, 2015 contained elsewhere in this Annual Report).

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 €727 million at June 30, 2015. The net liabilities of the eircom Holdings (Ireland) Limited group, included in the balance sheet at June 30, 2015 exclude liabilities in respect of borrowings of €235 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, 2015 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, 2015 contained elsewhere in this Annual Report.

Results of operations—quarter ended June 30, 2015 compared with the quarter ended June 30, 2014

Commentary on results of operations for the quarter 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. See Note 40 of the financial statements for details of the impact of the adoption of new accounting standards, requiring the use of equity accounting for the Group's share of its joint venture result, on the statutory presentation of accounts.

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, 2014 (unaudited)	June 30, 2015 (unaudited)
	€m	€m
Continuing operations		
Revenue	311	325
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(188)	(191)
Amortisation	(20)	(15)
Depreciation and impairment of plant and equipment	(73)	(75)
Exceptional items	(26)	(8)
Operating profit	4	36
Finance costs	(57)	(82)
Loss before tax	(53)	(46)
Income tax credit/(charge)	2	(2)
Loss for the quarter	(51)	(48)

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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Fixed line services and other revenue	238	250	5
Mobile services revenue	84	87	4
Total segmental revenue	322	337	5
Intracompany eliminations	(11)	(12)	4
Total revenue	311	325	5

Group revenue of €325 million for the quarter increased 5% compared to the corresponding quarter ended June 30, 2014.

Fixed line services

Retail Fixed ARPU

	For the quarter ended June 30,	
	2014 (unaudited)	2015 (unaudited)
	(€ per month/percentages)	
Retail fixed voice ARPU[(1)(4)]	36.0	36.8
Retail broadband ARPU[(2)(4)]	15.7	15.9
Blended retail fixed ARPU[(3)(4)]	44.4	46.1
Increase/(decrease) in blended ARPU from prior equivalent period (%)		(3.7%)

(1) We define "Retail fixed voice ARPU" as the average of recurring retail access rentals (PSTN and ISDN rentals excluding connection revenue) and net core voice revenue (net of all discounts including promotional discounts) divided by the average number of access subscribers in each month.

(2) We define "Retail broadband ARPU" as the average of total revenue from broadband services (broadband rental revenue net of bundle discount) divided by the average number of retail broadband subscribers in each month.

(3) We define "Blended retail fixed ARPU" as the average of the total retail subscriber revenue[(5)] divided by the average number of access subscribers in each month.

(4) 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.

(5) 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).

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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€ m	
Access (Rental and Connections)	122	124	2
Voice Traffic	56	57	-
Data Services	24	24	(3)
Foreign Inpayments	3	4	72
Other Products and Services	33	41	24
Total fixed line services and other revenue	238	250	5

Total fixed line services and other revenues, before intra company eliminations, increased by 5% in the quarter ended June 30, 2015 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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Total access revenue			
Retail PSTN/ISDN rental and connection	64	58	(9)
Wholesale PSTN/ISDN/LLU rental and connection	26	29	13
ADSL and bitstream rental and connection	32	37	17
Total access revenue	122	124	2
Access Line Base: PSTN & ISDN (000's)			
Retail	844	776	(8)
Wholesale WLR	470	474	1
Wholesale LLU	14	12	(17)
Total	1,328	1,262	(5)
DSL Lines: (000's)			
Retail	456	454	-
Wholesale	262	328	25
Total	718	782	9
Consumer fixed churn			
Consumer fixed access churn (%)[1]	20.0	18.0	(8)[2]
Consumer broadband churn (%)[1]	18.4	18.0	(2)[3]

(1) Churn rates are calculated by dividing the number of disconnections of lines during the period by the average number of lines in the same period. We define "the average number of lines in the period" as the average of the total number of lines at the beginning of the period and the total number of lines at the end of the period.

(2) We define the percentage change on "Consumer fixed access churn" as the movement on the number of access losses between the prior period and the current period divided by the number of access losses in the prior period.

(3) We define the percentage change on "Consumer broadband churn" as the movement on the number of DSL Channel losses between the prior period and the current period divided by the number of access losses in the prior period.

Access revenues increased by 2% in the quarter compared with the corresponding quarter of the prior year. Lower Retail access revenues were offset by growth in Wholesale revenues. DSL revenues for the quarter ended June 30, 2015 were 17% higher compared to June 30, 2014 driven by growth in Wholesale.

Retail line rental and connection revenues decreased by 9% in the quarter ended June 30, 2015, 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, 2015 were 776,000, a reduction of 8% on June 30, 2014. However, annualised consumer access churn has reduced by 8% compared to the corresponding prior year period representing a slowdown in the rate of erosion of access lines.

In comparison to the corresponding quarter last year, Wholesale access lines showed modest growth and increased by 1% from 470,000 to 474,000. The WLR PSTN ARPU increased by 9% due to the expiration on 31st December 2014, of a promotional discount to operators in Large Exchange Areas (LEA). As a result, Wholesale rental and connection revenue was €29 million in the quarter ended June 30, 2015 representing an increase of 13% compared with the corresponding quarter ended June 30, 2014.

ADSL and Bitstream revenue for the quarter of €37 million increased by 17% compared with the corresponding quarter in the prior year. Wholesale bitstream volumes at 328,000 increased by 66,000 in the year and grew by 17,000 in the quarter. The Retail broadband customer base stood at 454,000 at June 30, 2015, which represented a decrease of

2,000 in the last 12 months. Annualised consumer broadband churn has reduced by 2% compared to the corresponding prior year period.

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, 2015, the rollout of our high speed fibre network had passed over 1,300,000 premises and we had connected 281,000 retail and wholesale customers to high speed broadband services offering speeds of up to 100Mb/s. We commercially launched our IPTV proposition, eVision, in January 2014, enabling the first quad play offering in Ireland. At the end of June 2015 we had over 40,000 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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Revenue			
Retail traffic	40	40	(2)
Wholesale traffic	16	17	6
Total traffic revenue	56	57	-
Traffic	(in millions of minutes, except percentages)		
Retail	539	462	(14)
Wholesale	1,136	1,147	1
Total traffic minutes	1,675	1,609	(4)

Overall traffic revenue remained flat in the quarter ended June 30, 2015 compared to the prior year. Retail voice traffic revenues reduced by 2% for the quarter ended June 30, 2015, compared with the corresponding quarter ended June 30, 2014. This was primarily driven by reduced traffic (14% reduced minutes – access base had reduced by 8%) which is offset by the uplift to revenue due to the introduction of price increases in the quarter ended 30 June 2015. Wholesale traffic revenues increased by 6% in the quarter ended June 30, 2015 compared to the corresponding quarter in the prior year driven mainly by transit traffic.

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, 2014 (unaudited)	June 30, 2015 (unaudited)	2014/2015
	€m	€m	
Data services revenue			
Leased lines	13	13	1
Switched data services	6	5	(22)
Next generation data services	5	6	8
Total data services revenue	24	24	(3)

Revenue from data communications for the quarter ended June 30, 2015 decreased by 3% compared with the corresponding prior year quarter. Leased line revenue was broadly in line with prior year. Revenue from Switched Data

reduced by 22%, while revenue from NGN and VoIP services grew by 8% compared to the quarter ended June 30, 2014, 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 quarter ended		
	June 30, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€ m	€ m	
Foreign terminating traffic revenue	3	4	72
	(minutes, million)		
Foreign terminating traffic minutes	147	137	(7)

Revenue from foreign terminating traffic increased by €1 million during the quarter ended June 30, 2015, compared to the quarter ended June 30, 2014, 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) and 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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€ m	€ m	
Operator services	5	4	(25)
Managed services and solutions	7	14	95
Tetra	4	4	1
UK	6	7	16
Data centre	4	4	(4)
Other revenue	7	8	23
Other products and services revenue	33	41	24

Revenue from other products and services in the quarter ended June 30, 2015 increased by 24% compared with the quarter ended June 30, 2014. Operator Services revenue decreased by 25% as a result of reduced calls to our 11811 directory enquiries service. Managed services revenue increased by 95% due to significant contracts won by eircom Business which included upfront transitional work performed in the quarter. Tetra revenue, UK/NI revenues of €7 million and Datacentre revenues of €4 million were broadly in line with the corresponding period in the prior year. Other revenue increased by 23% 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, 2014 (unaudited)	**June 30, 2015 (unaudited)**	**% Change 2014/2015**
	€m	**€m**	
Prepay handset	30	28	(6)
Postpay handset	46	51	11
Mobile broadband	2	3	8
Roaming	1	1	31
Other	5	4	(15)
Total mobile services revenue	84	87	4
Total subscribers ('000)			
Prepay handset customers	609	594	(3)
Postpay handset customers	400	442	11
Mobile broadband customers	46	47	1
Of which are prepay customers	19	14	(29)
Of which are postpay customers	27	33	23
Total subscribers	1,055	1,083	3

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

Mobile revenue of €87 million for the quarter ended June 30, 2015 increased €3 million compared with the corresponding quarter in the prior year. This is primarily due to a strong performance on postpay handset revenue which has increased by 11% driven by a higher base year on year. Prepay handset revenue has decreased 6% compared to the same period in the prior year driven by a volume decrease of 3% and price – prepay ARPU reduced by 3% year on year. The proportion of postpay customers (including mobile broadband) within our base has increased from 40% at June 30, 2014 to 44% at June 30, 2015, representing an increase of 49,000 net additional postpay subscribers (including mobile broadband and M2M). Postpay ARPU, as outlined below, has remained broadly in line with the prior year.

At June 30, 2015 there were 1,083,000 total mobile subscribers, an increase of 27,000 compared with June 30, 2014.

Mobile ARPU

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

	For the quarter ended June 30,	
	2014 (unaudited)	2015 (unaudited)
	(€ per month other than percentages)	
Prepay ARPU[(1)(3)]	15.7	15.3
Postpay ARPU[(2)(3)]	38.0	37.7
Total ARPU[(4)]	24.5	25.1

(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 "the average number of mobile subscribers in the period" 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.

(4) 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.

Mobile Churn

Our blended churn rate decreased from 45.2% for the quarter ended June 30, 2014 to 39.2% for the quarter ended June 30, 2015. During the quarter ended June 30, 2015, postpay churn decreased from 19.2% to 15.5% due to an increase in customers in contract and on bundled plans with a lower churn. Prepay churn is reducing amongst higher value, longer tenure customers. However, churn amongst new or short tenure customer remains an issue and a key area of focus.

	For the quarter ended June 30,	
	2014 (unaudited)	2015 (unaudited)
Blended Churn rate[(1)]	45.2%	39.2%
Churn rate postpay[(1)]	19.2%	15.5%
Churn rate prepay[(1)]	62.1%	57.5%

(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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Cost of sales			
Foreign outpayments	2	4	72
Interconnect	26	29	14
Equipment cost of sales	15	11	(32)
Other including subsidiaries and new business	17	23	40
Total cost of sales	60	67	12
Pay costs			
Wages and salaries and other staff costs	60	61	1
Social welfare costs	3	3	(8)
Pension cash costs—defined contribution plans	1	1	(10)
Pension cash costs—defined benefit plans	6	4	(34)
Pay costs before non-cash pension charge and capitalisation	70	69	(3)
Capitalised labour	(22)	(20)	(10)
Total pay costs before non-cash pension charge	48	49	1
Non pay costs			
Materials and services	3	1	(81)
Other network costs	4	4	8
Accommodation	29	27	(6)
Sales and marketing	16	19	18
Bad debts	2	2	(15)
Transport and travel	3	3	(10)
Customer services	11	8	(23)
Insurance and compensation	1	1	125
Professional and regulatory fees	5	3	(44)
IT costs	6	5	(2)
Other non pay costs	2	1	(3)
Total non pay costs	82	74	(8)
Operating costs before non-cash pension charge, amortisation, depreciation, and exceptional items	190	190	(-)
Non cash pension charge/(credit)	(1)	3	N/M
Non cash fair value lease credits	(1)	(2)	100
Operating costs before, amortisation, depreciation, and exceptional items	188	191	2

Total operating costs before non-cash pension charge, non-cash lease fair value credits, amortisation, depreciation and exceptional items decreased by 8%, compared with the corresponding quarter of the prior year.

Cost of Sales

Cost of sales were €7 million higher in the quarter ended June 30, 2015 compared to the corresponding quarter in the prior year:

- Foreign outpayment costs were €2 million higher in the quarter ended June 30, 2015 corresponding with an increase in Foreign Inpayments on the revenue line mainly due to the year-end requirement to complete bi-lateral commitment traffic levels.
- Interconnect payments to other telecommunications operators were €3 million higher, €2 million of which related to mobile – revenue driven.
- Equipment cost of sales were €4 million less than prior year mainly due to lower gross adds quarter on quarter for postpay subscribers
- Other cost of sales were €6m higher mainly driven by increased revenue from new services – TV and managed services

Pay costs

Total staff pay costs, before non-cash pension charges, increased by 1% in the quarter ended June 30, 2015 compared to the corresponding prior year quarter, mainly due to slightly higher staff bonus provisions in the last quarter of the year which absorbs the savings delivered through lower headcount year on year.

FTE headcount at June 30, 2015 was 3,391 FTE, representing a net reduction of 242 FTE compared to June 30, 2014.

Total non-pay costs

Year on year non-pay costs reduced by 8% in the quarter ended June 30, 2015 compared to the corresponding prior year quarter:

- Materials and services costs were €2 million lower year on year mainly due to full year contract negotiations reflected in the quarter ended 30 June 2015.
- Other network costs for the quarter ended June 30, 2014 were in line with prior year.
- Accommodation costs decreased by €2 million compared to the corresponding prior year quarter primarily due to lower power costs.
- Sales and Marketing increased by €3 million which is due to timing of spend. The full year sales and marketing costs are €5 million less than the prior year for the twelve months ending 30 June 2015.
- Bad debt, transport and travel and IT Costs in the quarter ended June 30, 2015 were all broadly in line with the prior year period.
- Insurance and compensation costs increased by 125% as quarter ended June 30, 2015 mainly due to a credit in the same period in the prior year.
- Professional & regulatory fees in the quarter ended June 30, 2015 were €2 million lower than corresponding prior year quarter driven by cost management.
- Customer Service costs decreased by €3 million compared to the corresponding prior year quarter mainly due to our strategy to outsource activities to realise efficiencies.

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, 2015 were €15 million, €5 million lower than the prior year quarter, due to the fair value intangible assets for fixed line customer relationships and fixed licence being fully amortised in the prior year.

Depreciation and impairment of plant and equipment

The depreciation charges for the quarter ended June 30, 2015 were €75 million, €2 million higher than the prior year quarter, due to higher depreciation in respect of tangible assets in the mobile segment.

Exceptional costs

Net exceptional charges in the quarter ended June 30, 2015 of €8 million includes a €4 million charge in respect of the Management Incentive Plan, €3 million for strategic review costs and €1 million for certain legal matters.

Finance costs (net)

The group's net finance costs for quarter ended June 30, 2015 of €82 million were €25 million higher than the corresponding prior year quarter due to the loss on extinguishment of debt in the quarter of €32 million.

Taxation

The tax charge for the quarter ended June 30, 2015 was €2 million and mainly relates to improved trading performance.

Results of operations—financial year ended June 30, 2015 compared with financial year ended June 30, 2014

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. See Note 40 of the financial statements for details of the impact of the adoption of new accounting standards, requiring the use of equity accounting for the Group's share of its joint venture result, on the statutory presentation of accounts.

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, 2014	June 30, 2015
	€m	€m
Continuing operations		
Revenue	1,283	1,265
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(816)	(786)
Amortisation	(76)	(53)
Depreciation and impairment of plant and equipment	(269)	(271)
Exceptional items	(235)	(31)
Profit on disposal of property, plant and equipment	3	1
Operating profit/(loss)	(110)	125
Finance costs	(224)	(228)
Finance income	1	-
Finance costs - net	(223)	(228)
Loss before tax	(333)	(103)
Income tax credit/(charge)	24	8
Loss for the year	(309)	(95)

Revenue

Overall revenue for the year ended to June 30, 2015 decreased by 1%, 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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Fixed line services and other revenue	980	959	(2)
Mobile services revenue	347	352	2
Total segmental revenue	1,327	1,311	(1)
Intracompany eliminations	(44)	(46)	4
Total revenue	1,283	1,265	(1)

Fixed line services
Fixed ARPU

	For the financial year ended	
	June 30, 2014 (unaudited)	June 30, 2015 (unaudited)
	(€ per month/percentages)	
Retail fixed voice ARPU[(1)(4)]	36.5	35.2
Retail broadband ARPU[(2)(4)]	15.5	15.2
Blended retail fixed ARPU[(3)(4)]	44.5	43.8
Increase/(decrease) in blended ARPU from prior equivalent period (%)		(1.5%)

(1) We define "Retail fixed voice ARPU" as the average of recurring retail access rentals (PSTN and ISDN rentals excluding connection revenue) and net core voice revenue (net of all discounts including promotional discounts) divided by the average number of access subscribers in each month.

(2) We define "Retail broadband ARPU" as the average of total revenue from broadband services (broadband rental revenue net of bundle discount) divided by the average number of retail broadband subscribers in each month.

(3) We define "Blended retail fixed ARPU" as the average of the total retail subscriber revenue[(5)] divided by the average number of access subscribers in each month.

(4) 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.

(5) 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).

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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€ m	€ m	
Access (Rental and Connections)	492	486	(1)
Voice Traffic	236	216	(9)
Data Services	99	95	(4)
Foreign Inpayments	10	14	45
Other Products and Services	143	148	3
Total fixed line services and other revenue	980	959	(2)

Total fixed line services and other revenue before intra-company eliminations for the financial year ended June 30, 2015 was 2% lower than for the corresponding prior year period. Revenue decreased across all major categories in the financial year ended June 30, 2015 mainly as a result of a reduction in retail access lines and traffic usage. Partially offset by new emerging products e.g. TV.

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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Total access revenue			
Retail PSTN/ISDN rental and connection	267	241	(10)
Wholesale PSTN/ISDN/LLU rental and connection	103	112	9
ADSL and bitstream rental and connection	122	133	9
Total access revenue	492	486	(1)
Access Line Base: PSTN & ISDN (000's)			
Retail	844	776	(8)
Wholesale WLR	470	474	1
Wholesale LLU	14	12	(17)
Total	1,328	1,262	(5)
DSL Lines: (000's)			
Retail	456	454	-
Wholesale	262	328	25
Total	718	782	9
Consumer Fixed Churn (%)			
Consumer fixed access churn (%)[(1)]	20.3	21.1	3.8[(2)]
Consumer broadband churn (%)[(1)]	21.6	20.5	(5.1)[(3)]

(1) Churn rates are calculated by dividing the number of disconnections of lines during the period by the average number of lines in the same period. We define "the average number of lines in the year" as the average of the total number of lines at the beginning of the year and the total number of lines at the end of the year.

(2) We define the percentage change on "Consumer fixed access churn" as the movement on the number of access losses between the prior period and the current period divided by the number of access losses in the prior period.

(3) We define the percentage change on "Consumer broadband churn" as the movement on the number of DSL Channel losses between the prior period and the current period divided by the number of access losses in the prior period.

Retail PSTN & ISDN line rental and connection revenue decreased by 10% in the financial year ended June 30, 2015, 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, 2015 were 776,000, a reduction of 8% on the prior year.

Wholesale rental and connection revenue was €112 million in the financial year ended June 30, 2015, an increase of 9% compared with the prior year. WLR lines had increased by 1% from 470,000 to 474,000 in the financial year ended June 30, 2015. The WLR PSTN ARPU increased by 3% due to the expiration on 31st December 2014, of a promotional discount to operators in Large Exchange Areas (LEA). ADSL and bitstream revenue in the financial year ended June 30, 2015 was €133 million, an increase of 9% compared with the prior period. As of June 30, 2015, the number of DSL lines had increased by 9% to 782,000 lines from 718,000 at June 30, 2014, driven mainly by an increase in the number of Wholesale customers.

Consumer fixed access churn increased from 20.3% for the year ended June 30, 2014 to 21.1% for the year ended June 30, 2015 primarily due to increased losses among voice only customers who previously were receiving the DSP (Department of Social Protection) telephone allowance. The reduced broadband churn rate reflects the attractiveness of new offers and pricing (including bundled promotions) due to the launch of high speed broadband and our IPTV proposition, eVision, and quad play offerings.

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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Revenue			
Retail traffic	171	151	(12)
Wholesale traffic	65	65	-
Total traffic revenue	236	216	(9)
Traffic	(in millions of minutes, except percentages)		
Retail	2,359	1,973	(16)
Wholesale	4,615	4,551	(1)
Total traffic minutes	6,974	6,524	(6)

Retail traffic revenue decreased by 12% in the financial year ended June 30, 2015 compared with the financial year ended June 30, 2014, primarily due to a decline in traffic volumes arising from reduced access lines, continuing weakness in the traditional voice market, mobile substitution and loss of market share. Year on year wholesale traffic revenue was flat in the financial year ended June 30, 2015.

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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Data services revenue			
Leased lines	54	53	(2)
Switched data services	27	21	(22)
Next generation data services	18	21	18
Total data services revenue	99	95	(4)

Revenue from data communications was €95 million in the financial year ended June 30, 2015, a decrease of 4% compared with the prior financial year. Leased line revenue was 2% lower due to a further reduction in leased line volumes as customers rationalise their networks as well as migrating to higher speed alternatives. Switched data revenue decreased by €6 million, while NGN and VoIP revenue increased by €3 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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€ m	€ m	
Foreign terminating traffic revenue	10	14	45
	(minutes, million)		
Foreign terminating traffic minutes	645	643	-

Foreign inpayments revenue increased by 45% in the financial year ended 30 June 2015 compared with the prior year, primarily due to a one-off revenue reduction in FY13/14 relating to the write-off of old international debtors.

Other products and services

Other products and services revenue includes our 56% share of revenue from Tetra (net of consolidation eliminations) and 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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€ m	€ m	
Operator services	20	15	(25)
Managed services and solutions	36	40	12
Tetra	16	16	-
UK	29	30	3
Data centre	15	16	4
Other revenue	27	31	15
Other products and services revenue	143	148	3

Revenue from other products and services of €148 million for the financial year ended June 30, 2015 increased by 3% compared with the prior year. Operator Services revenue was 25% lower than in the prior year primarily due to reduced call volumes to our 11811 services. Managed services revenue increased by 12% due to significant contracts won by eircom Business which included upfront transitional work performed in the year. Tetra, UK and Data Centre revenues were broadly flat with the prior year. Other revenue increased by €4 million mainly driven by increased revenues from TV services.

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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, 2014 (unaudited)	**June 30, 2015 (unaudited)**	**% Change 2014/2015**
	€m	**€m**	
Prepay handset	132	116	(12)
Postpay handset	177	200	13
Mobile broadband	10	10	3
Roaming	4	4	(2)
Other	24	22	(10)
Total mobile services revenue	347	352	2
Total subscribers ('000)			
Prepay handset customers	609	594	(3)
Postpay handset customers	400	442	11
Mobile broadband customers	46	47	1
Of which are prepay customers	19	14	(29)
Of which are postpay customers	27	33	23
Total subscribers	1,055	1,083	3

Mobile services revenue increased by 2% in the financial year ended June 30, 2015. The increase reflects the growth in total mobile subscribers of 27,000 year on year while Group blended ARPU of €25.40 in the year ended June 30, 2015 grew by 1% compared to Group blended ARPU for the prior year. eircom continued to grow the postpay handset customer base which stood at 442,000 at June 30, 2015, an increase of 42,000 compared to the June 30, 2014. The contracted postpay base stood at 44% of total mobile subscribers at June 30, 2015 compared to 40% at June 30, 2014.

Prepay handset revenue reduced by 12% in the financial year ended June 30, 2015, due to a 3% reduction in subscribers and a 6% decrease in prepay ARPU. The mobile prepay handset subscriber base reduced from 609,000 as at June 30, 2014 to 594,000 as at June 30, 2015. Prepay churn is impacted by the market trend of prepay to postpay migration and wider macro-economic factors.

Postpay handset revenue increased by 13% in the financial year ended June 30, 2015, due to an 11% increase in subscribers. As of June 30, 2015 total mobile customer numbers amounted to 1,083,000, 27,000 higher than the prior year.

Mobile ARPU

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

	For the financial year ended June 30,	
	2014 (unaudited)	**2015 (unaudited)**
	(€ per month other than percentages)	
Prepay ARPU[(1)(4)]	16.8	15.8
Postpay ARPU[(2)(4)]	39.1	38.6
Total ARPU[(3)]	25.1	25.4

(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.

Our total ARPU of €25.4 per month for the financial year ended June 30, 2015, was broadly flat on the ARPU of €25.1 per month for the financial year ended June 30, 2014. Despite significant ARPU declines in prepay in the period of 6%, total ARPU decline was tempered by the improvement in postpay subscriber mix.

Mobile Churn

Our blended churn rate decreased from 43.4% for the financial year ended June 30, 2014 to 40.5% for the financial year ended June 30, 2015. During the financial year ended June 30, 2015, postpay churn decreased from 18.4% to 16.1%. Prepay churn is flat year on year, though the launch of the Simplicity Plans has reduced churn amongst higher value, longer tenure customers.

	For the financial year ended June 30,	
	2014 (unaudited)	**2015 (unaudited)**
Churn rate[(1)]	43.4%	40.5%
Churn rate postpay[(1)]	18.4%	16.1%
Churn rate prepay[(1)]	58.2%	58.2%

(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, 2014 (unaudited)	June 30, 2015 (unaudited)	% Change 2014/2015
	€m	€m	
Cost of sales			
Foreign outpayments	6	12	111
Interconnect	112	112	1
Equipment cost of sales	74	69	(7)
Other including subsidiaries	69	79	15
Total cost of sales	261	272	5
Pay costs			
Wages and salaries and other staff costs	272	243	(11)
Social welfare costs	13	12	(10)
Pension cash costs—defined contribution plans	4	4	(4)
Pension cash costs—defined benefit plans	19	15	(22)
Pay costs before non-cash pension charge and capitalisation	308	274	(11)
Capitalised labour	(78)	(73)	(7)
Total pay costs before non-cash pension charge	230	201	(13)
Non pay costs			
Materials and services	14	11	(14)
Other network costs	14	15	4
Accommodation	109	110	-
Sales and marketing	77	72	(7)
Bad debts	8	10	8
Transport and travel	14	12	(13)
Customer services	42	40	(5)
Insurance and compensation	3	2	(35)
Professional and regulatory fees	13	10	(21)
IT costs	24	23	(4)
Other non pay costs	5	6	43
Total non pay costs	323	311	(4)
Operating costs before non-cash pension charge, fair value lease credits, amortisation, depreciation, and exceptional items	814	784	(4)
Non cash pension charge	10	11	10
Non cash fair value lease credits	(8)	(9)	(13)
Operating costs before, amortisation, depreciation, and exceptional items	816	786	(4)

Total operating costs before amortisation, depreciation and exceptional items decreased by 4% year on year.

Cost of Sales

Cost of sales in the financial year ended June 30, 2015 increased by 5% compared with the financial year ended June 30, 2015. Foreign outpayments were €6 million higher due to an increase in rates and one off write-backs in the prior year FY13/14. Interconnect payments to other telecommunications operators were flat year on year. Equipment cost of sales in the year decreased by 7% compared with the prior year primarily due to lower mobile equipment costs. Other cost of sales were 15% higher mainly driven by increased revenue from new services – TV and managed services.

Pay Costs

Total pay costs before non-cash pension charges, in the financial year ended June 30, 2015 were €201 million, 13% lower compared to the prior year. This was mainly due to a reduction in headcount from 3,633 as at June 30, 2014 to 3,391 as at June 30, 2015.

Non Pay Costs

Total non-pay costs decreased by 4% in the financial year ended June 30, 2015. Materials and services costs decreased by 14% compared to the year ended June 30, 2014 due to lower repair costs than the prior year which had higher fault volumes driven by the FY13/14 storms. Other network costs and accommodation costs were broadly flat compared to the prior year. Sales and marketing costs decreased by 7% driven by mobile sales commissions, and bad debt costs increased by €2 million. Transport and travel costs decreased by 13%, reflecting lower headcount. Customer services costs decreased by 5% due to our strategy to outsource activities to realise efficiencies, while Insurance and Compensation costs decreased by 35% primarily due to a credit in the prior year. Professional and regulatory fees decreased by 21% driven by cost management. IT costs reduced by 4% year on year. Other non pay costs decreased by 43% driven by lower training, recruitment costs and other miscellaneous costs.

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, 2015 of €53 million, were €23 million or 30% lower than the prior year, due to the fair value intangible assets for fixed line customer relationships and fixed licence being fully amortised.

Depreciation and impairment of plant and equipment

The depreciation charges for the financial year ended June 30, 2015 were €271 million, €2 million or 1% higher than the prior year, due to the continued investment by the group in key strategic projects.

Exceptional Items

There was an exceptional charge of €31 million for the financial year ended June 30, 2015, compared with an exceptional charge of €235 million for the corresponding prior year period.

The group has recognised a charge of €12 million in its income statement for the year ended June 30, 2015 in relation to its obligations in respect of the management incentive plan ("MIP") introduced in the year ended June 30, 2013.

The group has also recognised exceptional charges of €14 million for strategic review costs and €12 million for certain legal matters in its income statement for the year ended June 30, 2015. These charges were partially offset by an exceptional credit of €7 million in relation to excess provisions carried forward from the previous year.

In the prior year ended June 30, 2014, the exceptional charge of €235 million comprised of €200 million for restructuring costs, €29 million for MIP, €10 million for certain legal matters, €2 million for other exceptional costs offset by €6 million excess provisions carried forward from the previous year.

Finance costs (net)

The group's net finance costs for year ended June 30, 2015 of €228 million were €4 million higher than the prior year due to the loss on extinguishment of debt partially offset by savings in net interest cost on net pension liability and the amortisation of interest on non-current borrowings.

Taxation

The tax credit for the year ended 30 June 2015 was €8 million and mainly relates to an adjustment in respect of prior years.

Liquidity

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

	For the financial year ended	
	June 30, 2014	**June 30, 2015**
	€m	**€m**
Cash flows from operating activities		
Cash generated from operations	282	433
Interest received	1	-
Interest paid	(105)	(129)
Income tax (paid)/refund received	3	-
Net cash generated from operating activities	181	304
Cash flows from investing activities		
Disposal of subsidiary undertaking, net of cash disposed	1	-
Purchase of property, plant and equipment ("PPE")	(230)	(249)
Purchase of intangible assets	(66)	(43)
Proceeds from sale of PPE and intangible assets	3	6
Restricted cash	8	6
Loans advanced to holding company	-	(14)
Net cash used in investing activities	(284)	(294)
Cash flows from financing activities		
Dividend paid to equity shareholders	-	(1)
Repayment of borrowings	(9)	(247)
Proceeds from loan borrowings	-	238
Amend and extend fees	(13)	(7)
Net cash used in financing activities	(22)	(17)
Net decrease in cash, cash equivalents and bank overdrafts	(125)	(7)
Cash, cash equivalents and bank overdrafts at beginning of financial year	324	199
Cash, cash equivalents and bank overdrafts at end of financial year	199	192

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, 2015, net cash generated from operating activities increased to €304 million from €181 million in the prior financial year. The increase was primarily related to lower restructuring (incentivised exits) payments of €35 million in the year, compared to the prior year €154 million (decrease of €119 million). The increase also reflects higher Adjusted EBITDA (which increased by €12 million from €469 million in the prior financial year to €481 million in the financial year ended June 30, 2015), lower provision payments (which decreased by €11 million from €32 million in the prior financial year to €21 million in the financial year ended June 30, 2015) and higher working capital inflows (increasing by €28 million from €3 million outflow in the prior financial year to €25 million inflow in the financial year ended June 30, 2015).

The increases have been partially offset by higher interest payments (which increased by €24 million from €105 million in the prior financial year to €129 million in the financial year ended June 30, 2014) and exceptional payments of €20 million in the financial year ended June 30, 2015. The higher interest payments are due to the higher interest rate on the Facility B2 borrowings (Euribor plus a margin of 4.5%). The interest payments for Facility B1 borrowings were based on Euribor plus a margin of 3% (and non-cash 1% Payment-in-Kind (PIK) interest was added to the outstanding Facility B1 principal).

Cash flows from investing activities

In the financial year ended June 30, 2015, we made payments for capital expenditure (cash) of €292 million, a decrease of €4 million compared to the capital expenditure (cash) of €296 million in the prior financial year. The higher than normal capital expenditure in the year, which is more or less 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, 2015, we had cash inflows in respect of restricted cash deposits of €6 million, comprised of €3 million refunded by ComReg in relation to the USO (Universal Service Obligations) and 3G performance bond and €3 million refunded by various institutions in relation to certain commercial contracts.

During the year, 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

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 now 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. Transaction costs of €7 million have been paid in the year in relation to this and the previous year's amend and extend transaction. The group also made loan repayments of €9 million in relation to the group's share of Tetra borrowings.

In the prior financial year ended June 30, 2014, the group effected an amendment and extension of its Facility B bank borrowings. The amendment redesignated €1,913 million of principal as Facility B2 borrowings, with a maturity date of September 30, 2019. The amended Facility B2 borrowings were subject to cash-pay interest at Euribor plus 4.5% margin. Amend and extend fees of €13 million were paid in the prior year in relation to this 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, 2015					
Other borrowings	9	-	509	1,863	2,381
Operating leases	38	56	46	213	353
Capital commitments	45	-	-	-	45
	92	56	555	2,076	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,	
	2014	2015
	€m	€m
Property, plant and equipment	262	239
Intangible assets	63	41
Total capital expenditure	325	280

For the financial year ended June 30, 2015, our capital expenditures amounted to €280 million, which related primarily to expenditures on our network as well as IT. Of the total capital expenditures, €239 million related to property, plant and equipment and €41 million related to intangible assets. There were no capital amounts spent on acquiring Spectrum Licenses in the current period.

The financial covenants set under the Senior Facilities Agreement include annual maximum capital expenditure ("capex") limits as outlined below.

Capital Expenditure: The aggregate capital expenditure related to investment is not permitted to exceed the amount set out below opposite that financial year. 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
2017	€240,000,000
2018	€230,000,000
2019	€230,000,000

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, 2014, the company exercised the right to increase the maximum permitted Capital Expenditure for the Financial Year ending June 30, 2014 by 9% of the succeeding year capex amount of €315 million. The amount of the pull back totalled €28 million and actual Capital Expenditure for the year ended June 30, 2014 was €325 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, 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 issued €350 million of fixed rate 9.25% Senior Secured Bonds in May 2013, 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, 2015 included elsewhere in this Annual Report.

7. BUSINESS

Overview

We are currently the sole telecommunications provider in Ireland able to offer broadband, fixed voice, mobile services and TV.

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 on one bill. In October 2012, we launched our FMC bundle, providing customers with bundled fixed voice and broadband products and also mobile offerings. We commercially launched eVision, our IPTV service over our fibre network in January 2014, making us at present the only quad-play provider of fixed voice, data, mobile and TV services in Ireland.

Our strategy is underpinned by a major programme of capital expenditure to facilitate the transformation of our business and enable us to respond to competition from other operators. Our capital expenditure has mainly related to the roll-out of our NGA network, as well as investments in spectrum, the roll out of 4G services, new IT capabilities, TV, and a new converged billing system which provides our customers with a single bill for bundled services.

We are the principal provider of fixed line telecommunications services and third largest mobile telecommunications provider in Ireland. Our fixed line division provides broadband, voice and data services to individual consumers and business users and contributed 73% of our total revenue (before inter-segment eliminations) in the year ended June 30, 2015. 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 Irish fixed line market was 47.4% (*Source: ComReg*) for the quarter ended March 31, 2015. Our mobile division includes the Meteor and eMobile brands, which contributed 27% of our total revenue (before inter-segment eliminations) in the year ended June 30, 2015. We had revenue of €1.28 billion and Adjusted EBITDA of €469 million in the financial year ending June 30, 2014, and revenue of €1.27 billion and Adjusted EBITDA of €481 million for the financial year ending June 30, 2015.

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 new value added services, traffic, ARPU and the number of subscribers, is influenced by a number of factors, including the strength of the Irish economy.

The Irish telecommunications market was fully opened to competition in December 1998. Following the liberalisation of the market, there has been growth in the number of customers using services provided by other licensed operators and mobile providers, who now represent significant competitors to eircom.

Total market revenue from the Irish telecommunications market (including retail and wholesale revenue but excluding satellite pay-tv) was €3.89 billion for the year ended March 31, 2015, up 1% from €3.86 billion for the year ended March 31, 2014 (*Source: ComReg*). Fixed line retail revenue accounted for 42.9% of communication revenue in the quarter ended March 31, 2015 (a decrease from 44.3% compared to the quarter ended March 31, 2014), while mobile retail services share was 51.4% in the quarter ended March 31, 2015 (an increase from 50.1% compared to the quarter ended March 31, 2014). The remaining 5.7% in the quarter ended March 30, 2015 is attributable to broadcasting (excluding satellite pay-tv). The decrease in revenue from traditional fixed voice (partially explained by voice traffic migrating to mobile) in Ireland is in line with other Western European markets. The Irish mobile market has broadly stabilised with market revenue of €376m in the quarter ended March 31, 2015 compared to €378m in the same quarter last year.

Fixed services

We are the largest provider of fixed line telecommunications services in Ireland, offering broadband, voice, TV and data services to individual consumers and business users under the eircom brand. We also offer wholesale access to our network to other authorised operators ("OAOs"). According to quarterly data published by ComReg (ComReg 15/49), we had a market share for the quarter ended March 31, 2015 of 47.4% of the Irish fixed line market, based on revenue, a slight decline from 48.3% of revenue market share in the quarter ended March 31, 2014. 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 broadband services in Ireland with 454,000 retail lines as of June 30, 2015. As at the June 30, 2015, we had 1,250,000 fixed line retail and wholesale telephone access lines (excluding wholesale LLU) in service, of which 782,000 (excluding line share) were retail and wholesale broadband customers. 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.

Mobile services

Our Mobile division is comprised of the Meteor and eMobile brands. The eMobile brand in consumer is used mainly for bundling, but is also the main brand marketed by our Business Solutions division. We are the third largest mobile operator in Ireland in terms of revenue and customers. As of June 30, 2015, our Mobile division had 1,083,000 customers and at March 31, 2015 we had a share of 18.8% of the Irish mobile market, based on number of subscriptions, including mobile broadband and M2M *(Source: ComReg).* Excluding mobile broadband and M2M, eircom Group Mobile (eMobile and Meteor) had 20.7% share of the subscriber market at March 31, 2015 representing an increase from 20.4% as at March 31, 2014. In terms of revenue market share, eircom Group Mobile (eMobile and Meteor) had 18.9% share of the total market revenue at March 31, 2015 representing an increase from 17.8% for the same period in the prior year.

As of June 30, 2014, 44% of our subscriber base were postpay customers, an increase from 40% as at June 30, 2014. Revenue (before inter-segment eliminations) for our mobile division for the financial year ended June 30, 2015 and June 30, 2014 was €352 million and €347 million, respectively.

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, thereby allowing the debt and equity to be traded separately. Therefore, going forward the Group may not be controlled by our original lenders. 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 programme 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 proposition, eVision. Following the Irish spectrum auction in November 2012, we commenced the rollout of our 4G (LTE technology) network, and were the first of the Irish mobile operators to commercially launch 4G services in September 2013.

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 credit rating and S&P and Fitch upgraded their outlook to stable. 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 Moodys, 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.

Our Brand

Independent brand tracking research conducted by Red C Research on our behalf reports that eircom continues to have the highest levels of brand awareness in the Irish home broadband market. Six in ten Irish adults spontaneously associate eircom with home broadband, notably higher than any of our main competitors. Awareness of our TV offering has grown steadily since launch, with over half the market now aware of the eVision TV service.

While UPC now leads the market in terms of brand consideration, we remain significantly ahead of both Sky and Vodafone. Over a quarter of Irish adults would consider eircom to be their only or first choice provider. While our consideration levels were impacted by the launch of Sky's fibre offering earlier in the year, perceptions of our brand image territories have recovered post Sky's fibre launch, driven by continuous through the line direct response marketing campaigns which include television, radio, press, outdoor and digital advertising.

The increase in the number of eFibre customers has considerably improved our customers overall brand experience. Our Relationship Net Promoter Score (RNPS), which is a measure of the entire eircom brand experience versus our competitors, for home broadband has increased annually from -3% to +10%, driven by eFibre customers who report a RNPS score of +24%. Our continued strategy to upsell and cross sell to eFibre customers is paying dividends with higher RNPS scores reported by triple and quad play customers.

Our association with Corporate Social Responsibility ("CSR") remains strong, with recent independent research conducted by Red C Research placing us first in terms of spontaneous association with a CSR policy. eircom's 30 year association with Special Olympics Ireland (SOI) continues to have a positive impact on the eircom brand, with three quarters of Irish adults agreeing *it's a good fit with their image of eircom* and a similar proportion agreeing that the sponsorship *shows the long term commitment of eircom to Irish Society* and that *eircom thinks beyond profit*. Six in ten Irish adults also claimed to feel more positive about eircom on hearing this was our 30th year of partnering with Special Olympics Ireland.

Continuing the strong performance of 2014, May 2015 was a good start to the year for eircom's sponsorship of the GAA football championship with improvements in both our association and prompted awareness scores. eircom's favourability as a result of the sponsorship, continues to increase year on year.

Our Converged Service Platform

Whilst our existing fixed line network is the most extensive in Ireland, with respect to customer reach, providing ubiquitous coverage of the population, we are investing over €400 million in a Next Generation Access ("NGA") Network that will provide fibre based services to customers through the deployment of fibre to the cabinet ("FTTC") to over approximately 1.9 million homes and businesses by 2020. This modernisation includes extending the reach of our current fibre back-haul core IP network to exchanges in the NGA footprint. We have invested €310 million to date in the NGA fibre network and at June 30, 2015 have already passed 1,300,000, or over 57% of Irish home premises with high speed fibre. 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 100Mbps, allowing high speed broadband and TV services to be delivered to our customers across the NGA fibre footprint. The network is based on a future proof architecture with a clear, cost effective upgrade path to deliver higher speeds in the future of 1Gb/s and beyond.

As of June 30, 2015 281,000 retail and wholesale customers were availing of our fibre services, an increase from 133,000 at June 30, 2014. 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-play and will be critical to the delivery of quad-play bundles.

From internally produced tracking of market changes we believe that fixed triple play subscriptions have grown by 30.0% in the 12 months to the end of the first quarter 2015 making up more than one-third of the consumer fixed broadband market. The portion of the eircom Consumer base which takes triple or quad play has increased from 6.5% to 11.6% in the same period. Fixed triple play penetration is accelerating following eircom and Sky's joining UPC in the triple play market in January 2014 and February 2013 respectively.

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. We commercially launched eVision, our own IPTV service over our fibre network, in January 2014, making us at present the only quad-play provider of fixed voice, data, mobile and TV services in Ireland. 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 see clear evidence of accelerated uptake of triple play bundles through examination of RGU's per customer. Our consumer fixed-line RGU per customer of 1.9x is at the lower end of our European peers and we believe that there exists a substantial opportunity to increase the number of bundled services to which our customers subscribe.

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 now offer 4G outdoor coverage to 67% of the population. 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 96% outdoor population at the year end.

We have also built the most extensive Wi-Fi network in Ireland with 2,800 hotspots covering all major urban areas in Ireland. Our Wi-Fi Hub service gives free Wi-Fi access to all eircom broadband, Meteor and eMobile customers and allows us to offer our mobile and fixed line customers increased value as part of their existing subscription while also generating revenue from advertising.

Fixed Line

We are the largest provider of fixed line telecommunications services in Ireland. According to ComReg, we had a total revenue market share of 47.4% of the Irish fixed line market for 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 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 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 describe these products.

Retail

Our retail fixed line business is composed of "consumer" and "business" end customers with whom we have a direct network and billing relationship, and is distinct from our wholesale business, in which we do not have a direct relationship with the end customer. As of June 30, 2015, we had 776,000 retail access lines and 454,000 retail broadband customers.

Consumer

The Consumer division is the largest division within the eircom Group. We offer fixed and mobile services to approximately 1,550,000 customers comprising 550,000 fixed and 1,000,000 mobile customers. We offer voice, high speed broadband, TV and mobile services to households and individuals under the eircom, eMobile 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 more recently '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 Revenue Generating Units (RGU's). See "*Bundling*" below for further details of these offers. The first major price increase in 4 years was successfully announced in January 2015 and implemented in April 2015.

We are the market leader in fixed consumer broadband and estimate that we have 33% of the fixed broadband market at June 30, 2015. Consumer residential broadband penetration in Ireland is at 65% as at March 2015, 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 efibre, 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. The company expects that the roll-out of FTTC with vectoring and eVDSL will enable speeds of up to 100 Mb/s. We also intend to overlay FTTH and FTTDp across part of our NGA network and on June 4 2015, we announced that we were extending the roll-out to 1.9 million premises across the country. This extension will use 'end to end' fibre to the home (FTTH) technology.

Mobile

We continue to leverage our significant investment in our Mobile network. We were 'first to market' with 4G services in September 2013, and now have 67% population coverage, and have improved our 3G coverage and in-building penetration. Meteor was historically targeted at prepay customers in the under 25-year old market segment and at value conscious customers, but has now been expanded to appeal to higher value postpay subscribers which have higher ARPU and a lower propensity for churn. eMobile, launched in September 2010, is predominantly targeted at an older, higher income demographic with a focus on offering bundled services, including mobile, to our fixed line customers. To address high levels of prepay churn, in June 2014 we launched a new refreshed prepay portfolio by introducing three simple offerings that provide customers with flexibility and value by letting them choose the type of offer they want based on their usage patterns. See " — *Group Mobile*" below for further information.

Bundling

Bundling is a key part of our strategy for addressing the decline in the fixed-line market. During October 2012, eircom launched a Fixed Mobile Convergence (FMC) bundle which has been well received by the market. As at June 30, 2015, 98,000 consumers subscribed for FMC packages.

In January 2014, we commercially launched eVision, our IPTV service, over our fibre network. We offer a basic TV package for €15 per month, which includes over 50 channels, as well as additional customer options such as experience TV, which includes 30 extra channels for an additional €8 per month, HDTV, which includes 17 additional channels for an additional €5 per month and multi-room for an additional €5 per month. The eVision 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. The launch of our eVision service means that we are currently the sole operator in Ireland offering quad-play bundles. As at June 30, 2015, we had over 40,000 eVision subscribers representing a 25% penetration rate of our eFibre customer base. We will continue to evolve our TV functionality to bring to consumers a TV everywhere experience.

We recently introduced a new converged billing system which provides customers with a single bill for fixed and mobile products. The converged billing system is expected to facilitate our continued offering of bundles to our customers.

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:

- eircom StudyHub: Free access to exclusive educational content for our broadband customers.
- eircom Wi-Fi: eircom consumer operates the most extensive Wi-Fi hotspot network in Ireland today with over 82% of the estimated 3,400 hotspots in service. *(Source: ComReg).*

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, 2015, we operated a network of approximately 2,081 payphones.

We provide operator assisted telephone services and a directory enquiry service ("11811" for national enquiries, "11818" for UK and International enquiries) to customers on all networks, both fixed and mobile. We estimate that our 11811 and 11818 services held a market share of approximately 75% of the total market for directory enquiry services as of June 30, 2015. Directory enquiry information is also available free of charge via an on-line phone book at *http://www.eircomphonebook.ie*.

eircom Business Solutions

eircom Business Solutions is the second largest division within the eircom Group 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, to which we primarily offer 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. eircom Business Solutions also provides emergency services via Tetra, which is described in further detail below.

Brand

To reinforce our position in the marketplace as Ireland's only true end to end business solutions provider, we re-branded to eircom Business Solutions in May 2014. The new identity launched with a new value proposition, the eircom Advantage, which is built around four pillars of our network, portfolio, expertise and commitment. The solutions-focused identity and value proposition provides a consistent platform and message to raise our profile and position as expert, reliable and in tune with business needs.

The new identity was brought to life across all marketing communications channels including an ATL and BTL campaigns to our 90,000 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.

Mobile

We launched our business mobile offering in 2012 via the eMobile brand, and it has captured a handset subscription market share of approximately 7.2%. 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 with approximately 12% subscription market share. 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 eircom Business Solutions. We have plans to launch enhanced propositions that combine mobile, fixed and virtualised services offering customers significant value beyond basic connectivity, leveraging our unique infrastructure to cross-sell FMC solutions to business customers. Our business mobile offering further improves our competiveness vis à vis our key competitors.

Connectivity Services

Connectivity services include basic network services, including fixed-line and mobile services as well as bundled offerings for SMEs. We also provide VoIP, data, mobile and WiFi solutions as well as internet access enhancements.

eFibre

As at June 30, 2015, 67% of our customers can avail of eFibre and we have 17,000 businesses availing of our eFibre broadband service representing 21% of the business fixed broadband base.

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 a wealth of opportunities for Irish businesses, bringing their architecture into the IP world of converged communications. It will ensure they are getting 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 PBX.

Advantage Bundles

Advantage bundles were re-launched as simpler and better value business bundles allowing businesses to build dual 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. All our mobile plans come with roaming in the UK, EU and USA included. For business customers, we are moving away from speed based pricing so businesses now get the very best speed their line can take up to 100 Mbps.

NGN IP Express

NGN IP Express was launched this year 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 20 top 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 recently began offering FMC solutions and hosted Mobile Device Management (MDM) services and we launched a new Cisco-based hosted IP Telephony, Unified Communications and Contact Centre Service this year 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 en-compass offerings for designing, deploying and operating connectivity, network equipment and infrastructure and related services, such as security and Managed Wi-Fi. The managed Wi-Fi solution was launched in March 2015 and other services such as managed data and security are under development for launch in the current financial year.

Advantage Wi-Fi

Advantage Wi-Fi, our new Wi-Fi offering for business, was launched in March 2015, It's fast, secure and reliable and for a single monthly price businesses will receive a fully managed service with 24/7 support.

Service

Following a stringent audit, the 2nd in 3 years, the Certification Europe Auditor has issued a new 3-year certificate for ISO20000 accreditation and new 1-year certificate for ISO270001:13 to eircom Business Solutions. 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 relentless 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 Ireland Communications Limited ("Tetra"), a consortium consisting of eircom, Motorola and Sigma Communications Group Limited which signed an eight year contract (extendable to ten years) 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 ambulance service. The initial contract period will run until June 2017. 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, 2015, Tetra had 20,100 billable users on to 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.

Wholesale

Our wholesale business offers fixed line access to other businesses who wish to utilise our network and products to provide services to households, individuals and business customers. In wholesale the end-customer does not have a direct commercial relationship with us.

Our fixed line network infrastructure allows us to transit and terminate voice and data traffic on behalf of OAOs. Under current regulation, our wholesale business is required by ComReg to provide wholesale products and services to OAOs. As of June 30, 2015, 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 year ended to June 30, 2015 we regained an equivalent to 85% of retail access losses (including Standalone Broadband Lines).

As of June 30, 2015, we had 486,000 access lines (of which 328,000 were wholesale broadband lines and 12,000 LLU lines). We have 60 national and 14 International customers. The wholesale customer base as at June 30, 2015 can be analysed as follows:

Wholesale line rental	474,000
Wholesale broadband (bitstream)	328,000
Local loop unbundling (LLU)	12,000

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.

Key services of our wholesale division, as of June 30, 2015 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 O2/Three Ireland. 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, 2015 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 financial year ended June 30, 2015 70% was from the wholesale line rental of PSTN, ISDN and LLU lines and 30% from ADSL 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.

ADSL 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, eircom wholesale launched its Next Generation Access (NGA) product portfolio to the market. The product portfolio consists mainly of Fibre to the Cabinet (FTTC) and Fibre to the Home (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 only available in two exchanges with speeds of 150Mb/s. Both FTTC and FTTH come with a multicast capability which allows for the broadcast of TV. As of June 30, 2015 we had 103,000 Wholesale customers availing of NGA broadband.

Local loop unbundling

As we are designated by ComReg as having SMP in the market, 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 authorised 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 authorised 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 authorised 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 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 decreased from 123,482 subscribers as of June 30, 2014 to 111,601 as of June 30, 2015. 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 signed by eircom and Three

Ireland confirms eircom Wholesale'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 organisations 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 eircom fibre to this operator's base stations as they transform their network to an all IP network.

Group Mobile

We are the third largest mobile operator in Ireland in terms of revenue and customers. Our Mobile division is comprised of our Meteor and eMobile brands. The eMobile brand in consumer is used mainly for bundling and it is also the main mobile brand for the business and enterprise segments. At the end of March 2015, we had a share of approximately 18.8% of the total mobile subscription market (according to ComReg), 20.7% of the mobile subscription market (excluding mobile broadband and M2M), 10.9% of the mobile broadband market and 6.4% of the M2M market (all as of March 31, 2015). As of June 30, 2015 we offered services to approximately 1,083,000 mobile subscribers of which 608,000 and 475,000 were prepay and postpay subscribers (including mobile broadband and M2M), respectively.

eircom's customer mix is steadily improving and our postpay customer base has experienced strong growth: postpay subscriber numbers were 475,000 (including mobile broadband and M2M) as of June 30, 2015, representing an increase of 11% compared to June 30, 2014, despite total postpay market growth in Ireland of just 6.4% in the period to March 31, 2015 (*Source: ComReg*). This growth has been assisted through increased activity in prepay to postpay migrations and the ongoing success of 4G data offers and increasing take up of mobile bundles. The postpay churn rate for our mobile subscribers (including mobile broadband and M2M) was 16.1% for the year ended June 30, 2015. Our mobile prepay customer numbers (including mobile broadband and M2M) as of June 30, 2015 were 608,000, representing a reduction of 3% compared with June 30, 2014. To address prepay churn challenges, we launched a new refreshed prepay portfolio in July 2014. This proposition was based on three simple offerings that provide customers with flexibility and value by letting them choose the type of offer they want based on their usage patterns. This new portfolio has assisted in stabilising ARPU, increasing acquisition and reducing churn amongst customers with a tenure of 6 months plus. Our mobile service offerings include mobile voice and data services and other VAS (Value Added Services) 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 the vast majority of the population of Ireland with voice and high speed 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 eMobile to appeal to sub-segments of the mobile market. eircom has a balanced spectrum portfolio between low and high frequency spectrum, allowing it to provide both high speed mobile access and cost-effective population coverage to consumers. In the 2012 4G spectrum auction eircom acquired 2 x 10MHz in the 800MHz Digital Dividend spectrum band. The acquired licence is valid until 2030 and is liberalised for use with all access technologies.

We launched our 4G (LTE technology) network in September 2013 and now provide service to approximately 67% of the population. Our LTE network will deliver theoretical maximum data download speed of 72Mbit/s, with average speeds expected to be 10-15Mbit/s - significantly greater than average speeds on our existing 3G network. In conjunction with our 4G rollout, we are rolling out dual carrier 3G. This is expected to double our 3G speeds from a peak of 21Mbit/s to 42Mbit/s for customers with compatible handsets. The first phase has been completed, covering the major cities of Dublin, Cork, Limerick and Galway as well as other urban areas.

As of June 30, 2015, our mobile broadband subscriptions consisted of approximately 47,000 customers, an increase of approximately 1% since June 30, 2014.

We launched our business mobile offering in 2012 via the eMobile brand, and it has captured a handset market share of approximately 7.2%. 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 with approximately 12% market share. We are currently investing in our on-boarding, in-life service and roaming experiences to support our penetration in the Enterprise and Government segments which represent an untapped opportunity for eircom Business Solutions. We have plans to launch enhanced propositions that combine mobile, fixed and virtualised services offering customers significant value beyond basic connectivity, leveraging our unique infrastructure to cross-sell FMC solutions to business customers.

Central Services

Our central services unit provides core internal support functions, such as finance, credit and cash management, human resources, logistics and property services. In the financial year ended June 30, 2015, our employee related pay costs represented approximately 28% of the total costs for this unit (FY14 30%). Non-pay costs comprise mainly power, rent, facilities management, customer services and professional & regulatory fees. During the year, the group fleet management service was outsourced. Management continues to review other outsourcing opportunities with a view to improving cost efficiency.

Sales, Marketing and Customer Care

Sales and Marketing

We have the broadest distribution network of all telecommunications operators in Ireland, with 83 stores, including franchise stores. We have rebranded Meteor stores to enhance the prominence of the eircom brand. There are currently 66 dual branded stores throughout Ireland, with the remaining 17 being Meteor standalone stores.

We support sales and marketing programmes with direct marketing campaigns through a wide range of media including TV, telephone, radio, press, outdoor, and the internet. Our telemarketing network includes 215 full-time equivalent employees.

In addition, we have developed a broad range of promotional tools to meet the needs of specific consumer and business segments. We develop promotional offers to acquire and retain customers and promote up-selling while working within the relevant regulatory constraints. We take differentiated pricing approaches for acquisition, retention and cross-selling activities and for different marketing channels. In terms of retention, we use a combination of upselling and re-contracting promotions to retain our customers. Up-selling techniques include migrating customers to eFibre, which then enables us to offer additional services such as TV. Where customers are not eligible for eFibre, we use mobile services as an up-selling opportunity.

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 centre 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 Centre Coverage with sites located in Dublin (Dublin 2 and 24), Cork, Limerick and Galway. HCL is our appointed outsource provider with sole responsibility for Dublin and Cork. We offer our customers a comprehensive level of service, accessible from 8am to 10pm, 365 days a year for prepay and postpay subscribers, and for Fixed Line customers, between 8am-8pm weekdays and 9am-6pm on Saturday. Our customer support channel strategy is continuously evolving, and our overall contact centre service is enhanced through the effective use of comprehensive online and IVR functionality allowing customers to perform routine transactions, such as view/pay bill, check account balance 24/7, 365 days a year.

We continue to deliver improvements in end to end customer service delivery, enhancing customer journeys, resulting in a reduction in call volumes across many product lines. We have delivered an additional level of efficiency to the contact centre operations through the up-skilling and cross-skilling of agents. Multi-skilled agents are now handling a variety of query types on the one call. 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 are investing in a new Billing System (R6) which enables us to provide a quadplay single billed propositions to the market. This was also a key dependency for eircom to launch NGA and TV. The new billing system substantially simplifies the process of rolling out new tariff and bundle structures, and provides eircom with the ability to add new products and services to existing packages rapidly and with minimal additional effort.

Networks & Technology Evolution & Development

Our Networks business unit manages the fixed line and mobile networks, systems and platforms that underpin the services offered by our Consumer, eBusiness Solutions and Wholesale business units and conducts fixed-line field and service operations.

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

Fixed-line Network

eircom 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. 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 160 eircom 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 400 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 (QoS) 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 64Kb/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 is based on an extensive network which provides fibre optic cables, with over 13,000 fibre kilometres lit using DWDM and CWDM technologies. Overall, the fibre network consists of over 400,000 kilometres of fibre, and it also supports the Synchronous Digital Hierarchy (SDH) network and customer access to IP and Ethernet NGN services. The core WDM network links together 14 of the larger provincial and 8 Dublin sites.

There are approximately 70 regional WDM sites and 80 CWDM sites. In more rural areas, extensive use of passive CWDM provides low-cost fibre gain and supports the roll out of APT and business fibre services.

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 (10Gb/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") FTTH. 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 DSLAM in use: ATM-based DSLAMs (ASAMs) and current ethernet based DSLAMs (ISAMs). 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).

VDSL broadband services are provided from over 5,000 roadside cabinets at 278 exchange locations across Ireland, with 600,000 ports in the network. This network is still in the process of being rolled out and is expected to grow to 560 exchange locations by 2016, covering 1.6 million premises. The 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 500,000 active ADSL and 280,000 VDSL2 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 signalling 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 units ("MSUs") 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 (TSS) comprising IP-enabled soft switches and media gateways, which act as an international gateway for the eircom 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 Centre ("SMC") for fixed & mobile voice, broadband, IPTV and internal services and systems, in Citywest, Dublin. The network management platforms are located in Blanchardstown, Dublin. The Blanchardstown Data Centre also acts as a standby/business continuity site 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 (ITIL) 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 at June 30, 2015, our NGA network passed 1,300,000 premises, compared to 930,000 as at June 30, 2014. We are on target to extend to 1.9 million premises by 2020. This has been achieved by the deployment of VDSL2 technology in roadside cabinets & in our exchanges (eVDSL) . To date, we have installed 9,000 kilometres of fibre in 4,500 kilometres of sub-duct, using existing eircom ducts.

Our initial VDSL 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 4,924 active cabinets have been deployed to date. In 2014-15, following ComReg and Industry agreement, we deployed Exchange launched VDSL to serve customers whose local network architecture is directly fed from the exchange, rather than through a cabinet, and a total of 370 Exchange launched DSLAMs have been deployed to date.

Early in 2014 we were one of the first operators in Europe to deploy vectoring technology on our cabinets, which allowed speeds of up to 100 Mb/s to be offered to our NGA customers. This vectoring technology was deployed to the majority of the cabinets in the footprint with the exception of cabinets serving large customer bases as the technology had a cap on the number of cabinet ports that could be enabled with vectoring, Recent deployment of Node level vectoring technology, which increases the number of cabinet ports that can be deployed with vectoring, enables us to provide speeds up to 100 Mb/s across the full NGA cabinet footprint.

The network is currently providing high speed services to approximately 280,000 NGA customers. In addition to high-speed internet access, our NGA network supports our IPTV service.

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 full national mobile network covers the vast majority of the population of Ireland with voice and high speed 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. The mobile network is fibre powered with c.400 Fibre backhaul connections from our base stations to our core mobile network to deliver a low latency data network. The majority of the fibre connectivity is provided by eircom Wholesale. The roll-out of our high capacity 4G/LTE network continues delivering improved digital experience for our customers and enabling 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 ~ 1700 2G sites, ~ 2300 3G sites and ~ 540 4G sites. We continue our transition to an all – IP network for 2G and 3G services with over 60% of the network delivering 3G 42Mb/s dual carrier capability. Following our pioneering of 4G service in Ireland, over 85% of our customers now enjoy high speed 4G data service.

The 2G voice, text and data service mainly utilises GSM 900 MHz, GSM 900 MHz and GSM 1800 MHz support EDGE and GPRS services. The 3G voice, text and data utilise 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 60% of the UMTS 2100 MHz sites support 3G speeds up to 42 Mb/s. LTE 1800 MHz has been extensively deployed in urban and suburban locations, with LTE 800 MHz used to provide 4G services to more rural locations.

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 by Hutchison Whampoa, owner of Three Ireland, in June 2014, eircom and Three signed a Memorandum of Understanding for network sharing in line with the conditions set out by the European Commission on Aug 27, 2014. The network sharing Memorandum of Understanding (MoU) include an obligation on Hutchison Whampoa to offer eircom improved terms and conditions as compared to those which currently exist under the Mosaic network sharing agreement between Meteor and O2 Ireland.

National Roaming Agreement

We have had a national roaming agreement with Vodafone since 2006. This formally ceased on June 30, 2015 following an extensive network rollout programme to deliver voice, text and high speed data service for our customers in the west, south west and north west of Ireland.

Network Field Force

The build and maintenance of our fixed access network is the responsibility of the field operations organisation. The main activities this group undertakes include overhead and underground build, nationwide repair and maintenance of the network, provisioning of PSTN, DSL broadband, IPTV and NGA for our business units, and delivery of the NGA infrastructure roll-out programme. 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.

Technology Evolution & Development

Technology Evolution & Development continues to develop the technology solutions that underpin our infrastructure leadership and enhanced customer experience, including NGA, network convergence, IPTV and LTE, as well as solutions to improve operational efficiency, such as our data centre consolidation, business intelligence/data warehouse system and new wholesale billing and settlement system.

Group Insurance Cover

As an integral part of our risk management programme, we utilise third party insurance to mitigate a number of residual risks. These risks include property damage and contingent business interruption, employer, public and motor

liabilities, directors and officers liabilities, professional indemnity, employment practices, and other miscellaneous risks such as goods in transit, employee travel, and personal accident liabilities. Insurance cover for these risks is provided through a combination of self-insured deductibles and annual aggregates. This programme is renewed on an annual basis. In addition to the above insurance covers which are renewed annually, we also have "extended run-off" insurance cover for director and officer liabilities. 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.

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

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

Properties

As of June 30, 2015, we occupied approximately 1,255 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 summarised as follows:

- 970 are freehold;
- 67 are held under long-term leases (leases with a term in excess of 50 years);
- 60 are held under short-term leases/licences (leases with a term of less than 50 years);
- 143 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, 2015, Meteor also occupied approximately 1,941 mast sites, of which two are owned freehold by Meteor itself, approximately 240 are greenfield masts held under licence (typically for a term of less than 20 years), 56 are held under lease from Coillte (typically for a 100 year term) and the remainder are on other structures i.e. commercial rooftops, ESB towers etc., held under licence (typically for a term of less than 20 years). Meteor also leases 42 retail outlets under various lease agreements, 23 with less than ten years remaining to the next break and 20 with more than ten years remaining. Meteor also leases office premises at Unit 4030 Citywest Business Campus.

As of June 30, 2015, Tetra occupied 591 mast sites, including 73 under licence from Eircom. All of these sites are held under short-term leases or licences. The economic benefit of 69 of the mast sites licensed by us to Tetra was assigned on April 1, 2010 to a third party.

Employees and Industrial Relations

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

The total number of persons (Full Time Equivalents) employed by the group as at June 30, 2015 and June 30, 2014 were as follows:

	As of June 30	
	2014	**2015**
Fixed line		
Operational/technical	2,331	2193
Sales/customer support	663	654
Administration	191	162
Total fixed line	3,185	3,009
Mobile	448	382
Total fixed line and mobile	**3,633**	**3,391**

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 was established in 1983 as part of the arrangements made for the establishment of Telecom Éireann, and in which all of our recognised trade unions participate. At June 30, 2015 we estimate that 53% of our employees were subject to collective bargaining agreements.

Litigation

Except as disclosed below, 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

At June 30, 2015, 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 7 of which have been discontinued. Of the 94 remaining claims, 55 have become prima facie statute barred, and so the Directors 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. 13 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 defence 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, the Directors do not believe that these figures represent damages which would be properly recoverable. No further action has been taken by the plaintiffs in the nine years since they amended the plenary summons and statement of claim. The Directors do not expect the plaintiffs to take any further action, and even if they attempted to do so, the Directors 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 defence in proceedings on December 23, 2005. The Directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that the Company provides access to its network fully in accordance with our obligations, and the Company intends 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 capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on our part under each of these headings, the Directors 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 defence in December 2005. In December 2009, Smart Telecom went into liquidation. The Directors do not expect the plaintiff to take any further action and even if it attempted to do so, the Directors believe, based on independent legal advice, that the proceedings would be struck out for want of prosecution.

Asbestos claims

At June 30, 2015, 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 programme of removing asbestos from some of our premises and introduced safety measures and a warning procedure. Claims have been received from approximately one hundred and seven employees or former employees alleging injuries caused by exposure to asbestos. Of these, nine claims were either 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 ninety four of these employees has remained dormant since 1997. The remaining four claims have remained inactive for several years. 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 eircom.

Data centre construction defect

We occupy a number of data centres. A construction defect was identified in a specific centre. 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 centre. Practical completion for the remediation works was issued on August 1, 2014, save that a number of discrete zones within the data centre 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 centre resulting from the construction defect.

There is risk involved in carrying out remedial construction works at a live data centre 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 programme 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 programme) were successfully complete on August 1, 2014 and we conduct a continuous programme 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 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 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 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. We are currently awaiting copy Title Deeds from the State and eircom intends to raise a Notice for Further and Better Particulars once it has reviewed those Title Deeds.

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 introduce a more market-focused mechanism for assessing and designating operators with significant market power ("SMP") by basing it on the competition law concept of dominant position, to be determined in a manner consistent with competition law practice.

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 and replaced the SIs of 2003.

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 EU Regulatory Framework also provides operators with greater recourse to challenge the decisions of national regulatory authorities ("NRAs"). An NRA, in Ireland ComReg, is obliged to follow strict procedures in imposing SMP designations and obligations. Parties affected by ComReg's decisions and regulations may exercise their right of appeal in the Irish High Court.

While the EU Regulatory Framework foresees a reduction in the regulatory burden in some markets that have effectively become competitive, it will apply regulations to services that flow from investments in next generation networks. Furthermore, the EU Regulatory Framework permits remedies in relation to companies designated as having SMP, including in certain circumstances functional separation. The European Commission has announced a timetable for the review of the EU Regulatory Framework as part of its Digital Single Market strategy. This will start with a consultation in September 2015 with proposals in 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, Energy 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 licences including the option of "fast-tracked" applications, licence enforcement and legal definitions regarding TV licence 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 03/81R4 dated August 6, 2013), licences for premium rate services (content, data services and value-added services that are charged to a customer's telephone bill), licences 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 03/81R4) 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 licences under the Wireless Telegraphy Act 1926 including, through our subsidiary Meteor, its mobile spectrum licences.

ComReg was established under the Communications Regulation Act 2002 as the independent regulator. The Minister for Communications, Energy 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, Energy 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 licence 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, Energy 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, licence or right of use where, in its opinion, there has been serious or repeated non-compliance with the conditions attached to such general authorisation, licence or right of use, or failure to meet a specific obligation relating to SMP or universal service. ComReg may amend authorisations, licences 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 licence conditions.

Competition 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. 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. 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 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.

General Authorisations, Licences 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, licences 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, licence or right of use.

Levies

ComReg levy and Spectrum Usage Fees

All authorised entities, including eircom 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 OAOs 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 financial year ended June 30, 2015, to date eircom has paid a levy of €1.7 million and Meteor paid a levy of €0.6 million. eircom 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, 2015 eircom expensed a total of €11.5 million in usage fees for its fixed and mobile spectrum licences.

Premium Rate Services

The Communications Regulation (Premium Rate Services and Electronic Communications Infrastructure) Act 2010 Act and associated Regulations apply to all Premium Rate Service Providers including, among others, a person such as eircom who provides the electronic communications service over which a premium rate service is provided, or provides the electronic communications network over which a premium rate service is transmitted. Under current licensing arrangements, an individual licence is required only in relation to the provision of certain 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

ComReg published National Numbering Conventions v7.0 (ComReg 11/17) in March 2011. The conventions allow for the automatic withdrawal of rights of use of both code and number range where an undertaking's premium rate services licence, authorisation or other approval to operate is suspended or withdrawn for compliance failures. In relation to calling shared cost numbers from mobile telephones, ComReg set tariff ceilings on the standard cost of calling a geographic number. However ComReg stated that it will seek greater transparency concerning the exclusion or inclusion of non-geographic numbers in tariff bundles. For universal access numbers and personal numbers, ComReg introduced a tariff ceiling for calls made from mobile phones (in line with the changes to shared cost numbers). ComReg is currently consulting on minor changes to the National Numbering Conventions.

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. Provider 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, Energy 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 a five-year period, and since September 2010, BT handles all calls to the ECAS. A call handling fee is payable to BT by operators, including eircom and Meteor, on whose networks a "999/112" call originates, and this was initially set at €2.23 per call. Under the Communications Regulation (Amendment) Act 2007, ComReg is obliged to review the call handling fee on the second anniversary of the contract award and annually thereafter. Following a review of the fee, ComReg published its Decision (ComReg Decision - D01/15 ComReg 15/02) increasing the fee to €3.82 for the year to February 11, 2016. The Department for Communications Energy 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.

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 notified to the customers concerned at least one month in advance of implementation. Customers have the 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. Geographic number portability permits a customer with a telephone number that was assigned based on geographic location to retain that telephone number when changing local service providers, provided the customer's telephone line remains physically located within the same geographic area. Non-geographic number portability permits customers with numbers that are standard throughout the country, including Freefone and premium rate service customers, to migrate to another service provider without changing their telephone number. Number portability was intended to remove the significant barrier to competition believed to result from customers having to change their telephone numbers if they wanted to change service providers.

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. Each operator is responsible for making its network capable of handling number portability. All operators, including us, are responsible for certain individual costs in relation to this activity, while certain other costs are shared between operators.

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; the obligation to provide a customer with fully itemised bill or non-itemised bill, at the request of the Customer, if either request is made and not change the level of itemisation 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 authorised 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. These obligations must be complied with within six months (nine months in respect of the provision of an accessible top-up facility for prepay mobile end-users, the provision of a facility to enable disabled users to register their requirements and the provision of information accessible to the majority of end users).

In August 2004, ComReg introduced a code of practice for Tariff Transparency (ComReg Decision D11/04) with the stated objective of ensuring that service providers present tariff information that is accurate, comprehensive and accessible. The code of practice is designed to ensure that retail service providers present transparent and up to date information on 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

Irish and EU law requires ComReg to promote the provision of a defined set of basic telephony services to all users in Ireland independent of their geographical location and at an affordable price, whether or not the provision of those services is economic. ComReg satisfies these requirements, in part, by designating one or more operators as USO providers to provide these services. The USO has the following components: (i) obligation to meet all reasonable requests for telephone lines to fixed locations throughout the state; (ii) provision of a telephone line capable of functional internet access; (iii) making available a comprehensive printed telephone directory to end users; (iv) provision of public payphones to meet the reasonable needs of end users; (v) services for disabled users; and (vi) affordability measures. Broadband and mobile services have not been included in the scope of the USO, in line with the general position of the European Commission.

In Ireland, we are the only operator that has been designated by ComReg as a USP, for successive periods since 2003. On July 7, 2014, we were re-designated as the USP with the following obligations (ComReg Decision):

- provision of telephony services under USO including connection and access at a fixed location Decision 10/14 (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): for a provisional period from July 7, 2014 to December 31, 2015. ComReg will undertake a review to determine future scope and designation of the access at a fixed location USO during the interim designation period;
- pay phones (Decision 08/14): maintain payphones throughout the State subject to an amended removals policy from July 1, 2014 to June 30, 2018;
- provision of a comprehensive printed directory or directories to subscribers, updated at least once a year: from July 7, 2014 to June 30, 2018 (Decision 07/14). During the first two years of the designation period, directories must be provided to all subscribers who have not opted out; for the last two year, we may choose to deliver directories only to subscribers who have opted in, in which case a communications campaign must be run in advance giving consumers a variety of ways to opt in.

On 8th July 2015 we were designated as the USP with the following obligations in respect of services for disabled end users:

- provision of specialised terminal equipment for the period to December 31, 2015 (Decision 03/15)
- provision of a Text Relay Service for the period to June 30, 2016 (Decision 04/15)

As at March 31, 2015 there were 1,242 USO public payphones still in service. We will review these USO public payphones to assess their continued economic viability and take appropriate action in the light of the requirements of ComReg Decision D08/14.

In September 2005, ComReg published its Decision notice D09/05 (ComReg 05/70) on two aspects of our USO: the provision of access at a fixed location and the provision of functional internet access. With regard to provision of access at a fixed location, ComReg introduced a threshold of €7,000 to be applied when eircom considers requests for services. If the cost of providing service is below the threshold, we are obliged to consider the request as "reasonable" and supply service for the standard connection fee. If the cost is above the threshold, 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 introduced a minimum data rate of 28.8Kb/s with a target of 94% of telephone lines to be capable of achieving functional interest access. On 7 August 2015 ComReg launched a consultation on the USO and Provision of access at a fixed location which proposes continuing this part of the USO for a further 5 – 7 years and invites comments on the future evolution of this part of the USO.

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 permitted 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. On May 31, 2012, we submitted our USO funding application for the period 2009/2010. The application was for €6.22 million (ComReg Information Notice 12/57). On January 9, 2014, ComReg published its Final Decision, ComReg Decision D01/14 (ComReg 14/03) which determines that the net cost of the USO is €5.1 million and that it does not represent an unfair burden for us. On February 9, 2014, we brought an appeal against ComReg's Decision in the Irish High Court. The Appeal was struck out with the consent of both parties on November 17, 2014 (see ComReg 14/119).

On September 1, 2014 we submitted a USO funding application of €10m for the period 2010/2011 (see ComReg 14/93). On October 31, 2014 we submitted USO funding applications of €7.3m and €8m for the periods 2011/2012 and 2012/13 (see ComReg 14/117). On March 31, 2015 we submitted a USO funding application of €11.3m for the period 2013/2014 (see ComReg 15/32). ComReg has commenced the process of assessing our USO funding application for 2010/2011.

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 and that this 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. As of the date of this report, ComReg has not published a final decision.

Performance targets

Under the Universal Service Regulations, ComReg is authorised 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. Following a consultation process, ComReg published binding targets in May 2008 in its Decision D02/08 (ComReg 08/37). The targets are 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).

At ComReg's request, we appointed an external auditor to review the quarterly performance data relating to the above targets. Following failure by us, in the view of ComReg, to meet some of the performance targets, ComReg and eircom agreed an approach with respect to the provision of the USO. We established a quality of service performance improvement programme ("PIP 1") for the annual performance periods 2010/11 and 2011/12, with associated €10 million performance bonds for each year. In line with our USO re-designation (ComReg Decision D07/12 – ComReg

12/71) for the period July 2012 to June 2014, a new performance improvement programme referred to as PIP 2 was agreed with ComReg to cover the period July 2012 to June 2014. We were required to maintain a €10 million cash guarantee on deposit (ComReg Information Notice 12/122) to cover any financial penalty that may be imposed by ComReg if the targets are not met.

The final quarter and annual USO performance data (ComReg Information Notice 13/91) for the year ended June 30, 2013 was released on September 25, 2013. For the financial year ended June 30, 2013, we did not meet some of the targets and we were required to pay a penalty in the amount of €80,000.

Between December 2013 and February 2014, a series of very severe storms hit Ireland on a rolling basis and caused considerable damage to our network. This resulted in unprecedented levels of faults in the network and delays in repairs and connection. As a consequence, our performance levels fell such that we did not met the performance targets set in the PIP 2 Agreement for the 2013/14 period and therefore exposed to a potential penalty of up to €10 million. On May 30, 2014, we submitted an application of force majeure to ComReg, which included an independent expert's opinion stating that the level of storminess experienced during the winter of 2013/2014 was the highest experienced in Ireland in at least 143 years. On October 31, 2014 eircom and ComReg entered into an out of Court agreement with both parties agreeing not to pursue the force majeure application and for eircom to discharge its obligations under PIP2 for this period by paying ComReg a penalty of €2,500,000. A new performance improvement programme referred to as PIP 3 was agreed with ComReg to cover the period January 1, 2015 to December 31, 2015 (see ComReg 14/129).

National Directory Database

Previously under our USO, we were required to manage and update the national directory database ("NDD") on behalf of the telecommunications industry. The NDD contains all telephone numbers listed in public directories or available through directory enquiries. However, since July 2011, as a result of changes to legislation, the operation of the NDD can no longer be part of the USO. Following a consultation process ComReg designated us as the NDD operator for the period to June 30, 2018 (ComReg Decision D02/15; ComReg 15/44).

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, a national regulatory authority 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.

Markets that are susceptible to ex ante regulation are listed in a Recommendation of the European Commission revised from time to time. The 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 EU Commission was completed revising the number of recommended markets to five. Under the Access 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)	eircom	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)	eircom	Decision 05/15 (ComReg 15/82)	July2015
3	1	Wholesale Fixed Call termination	eircom and six OAOs(3)	Decision 06/07 (ComReg 07/109)	December 2007
4	3a	Wholesale Local Access at a Fixed Location (4)	eircom	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
5	3b	Wholesale Central Access at a Fixed Location(6)	eircom	Decision 06/11 (ComReg 11/49)	July 2011
6	4	High Quality Access at a Fixed Location (7)	eircom	Decision D06/08 (ComReg 08/103)	December 2008
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

Notes:

(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 eircom, 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 eircom's 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 but ComReg Decision D05/15 has withdrawn the wholesale remedies imposed in these markets and moved them to the Fixed Voice Call Origination Market . It has announced its intention to commence a review of the Retail Access Markets without delay. The three retail markets are Standalone Lower Level Voice Access, Bundled Lower Level Voice Access, and Higher Level Voice Access. The suite of retail remedies has been maintained in respect of the Standalone Lower Level Voice Access market. Only one retail remedy, obligation to comply with the Net Revenue Test (as specified in ComReg Decision 04/13, see below), has been imposed in respect of the Bundled Lower Level Voice Access market and the Higher Level Voice Access market.

Retail price regulation

The current retail price cap was put into place in October 2007 and applies to PSTN and ISDN access products in the market for Standalone Lower Level Voice Access. On October 1, 2007, ComReg published a new Retail Price Cap Remedy for Fixed Narrowband Access Markets. The order imposed a dCPI minus dCPI (i.e., no nominal increase) price freeze for rental and connection for both the lower level basket of PSTN and ISDN BRA, and the upper level basket of ISDN ("FRA" and "PRA") for one year from October 1, 2007, with permission to increase prices in each basket by dCPI minus 0% thereafter. A separate sub-cap applies to PSTN line rental of dCPI minus dCPI in the first year and dCPI minus 0% thereafter. Retail calls are excluded from the price cap. The Price Cap Decision Instrument has no expiration date and in theory can run indefinitely (subject to eircom continuing to be designated as having SMP in the relevant retail market).

On February 8, 2013, ComReg published its Decision D04/13 (ComReg 13/14) on bundling. Pursuant to this decision, we must continue to obtain ComReg's prior approval before launching bundles with a retail line rental component. However, the notification period has been reduced from fifteen to five working days before launch. The decision provides pricing flexibility for bundled services which includes: the establishment of larger exchange areas where competition is most intense; the use of modified wholesale costs to assess margin squeeze; 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 Reference Interconnect Offer ("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. ComReg has issued several notices and decisions relating to the methodology for calculating these prices, including the calculation of costs that may or may not be included in setting RIO prices, as well as the permitted rate of return on investment. We make regular submissions to ComReg in relation to such notices and decisions, and in particular we have urged ComReg to adopt modified models as a basis for the calculation of costs and, ultimately, RIO pricing.

In December 2007, following consultation, ComReg published its Decision D06/07 confirming that we have SMP in the wholesale fixed call termination market. ComReg also designated six OAOs as having SMP on their own networks in this market. 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 at 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. Further, the OAOs' price control obligations apply when an OAO reaches a market share threshold of 5% of total direct access paths or five years from December 2007. Accordingly, in December 2012, following a consultation, ComReg published Decision D12/12 (ComReg 12/125) which 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. The decision provides for the transition from rates as at December 31, 2012 to pure LRIC rates in the form of a glide path detailing the common maximum rates applicable to fixed operators starting July 1, 2013, as set out in the table below. In the interim period from January 1, 2013 to June 30, 2013, SMP fixed operators were required to charge no more than the rates they charged at December 31, 2012.

	Two-part charging		**Single Charge**
	Maximum	**Maximum**	**Maximum**
	(€ cent per call)	*(€ cent per min.)*	
From July 1, 2013 to June 30, 2014	0.075	0.070	0.098
From July 1, 2014 to June 30, 2015	0.068	0.060	0.085
From July 1, 2015 onwards	0.060	0.049	0.072

We apply two-part charging.

On October 5, 2007, ComReg published its Decision D04/07 (ComReg 07/80) on the wholesale fixed call origination and wholesale transit markets. We were designated as having SMP in these markets and, as a result, ComReg maintained the regulatory obligations which applied to us in relation to these markets, namely, obligations of access, transparency (appropriate reference interconnection offer(s)), non-discrimination (service level agreements ("SLAs") and reporting to ComReg), price controls based on forward-looking LRIC ("FL-LRIC"), accounting separation and cost accounting. ComReg determined that the market for wholesale outgoing international transit services no longer warranted ex ante regulation. Therefore, all SMP regulatory obligations imposed on us in the outgoing international transit market were withdrawn. Transit for incoming international traffic, however, is in the same relevant market as national transit and continues to be subject to regulation.

Our obligation of access includes the obligation to provide facilities that allow customers to choose alternative service providers while remaining on our network. Carrier pre-selection and SB-WLR allow 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. As a prerequisite for this service, the end customer must choose the relevant operator to carry all calls using carrier pre-selection. We have been directed by ComReg to provide Single Billing-Wholesale Line Rental (SB-WLR), and these services have been provided since 2003. Since May 2008, prices for the SB-WLR product have been set at the retail price less 14%, as set out in ComReg Information Notice 08/19. 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, following a period of consultation, 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. The purpose of the price controls is to guard against the possibility of a margin squeeze between switchless voice and the associated wholesale products. This change resulted in a small price increase for the White Label product but as the increase was insignificant, there was no impact on existing customer volumes. 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 24th of July 2015 ComReg issued its Decision on the wholesale fixed voice call origination and transit markets (ComReg 15/82) in which it has deregulated the transit market. In respect of fixed voice call origination, ComReg has maintained existing obligations and instituted two further margin squeeze tests. The initial consultation in 2014 also proposed to regulate WLR as a wholesale product, rather than as remedy in the retail narrowband access market.

ComReg issued a Consultation and draft Decision (ComReg 15/67) on eircom's Wholesale Access Services on July 3, 2015. The Consultation proposes cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling, Pole and Duct access. ComReg also proposes to implement two new Margin Squeeze Tests between retail and wholesale line rental prices. ComReg has set September 25, 2015 for the response deadline. ComReg has indicated it intends to issue a Decision by the end of 2015 which would implement amendments to price controls for Current Generation Access products in 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. ComReg explicitly included Ethernet based connectivity services within the leased line market and required us to deliver wholesale access inputs for all Ethernet based services provided on our network. We launched a wholesale Ethernet product in September 2009 and launched a suite of NGN based Ethernet products in August and September 2010.

An appeal by us to the Irish High Court of Decision D06/08 was settled by the parties on the basis that, among other things, ComReg consult on the practical application of remedies in the wholesale market for terminating segments of leased lines. Following consultation, ComReg published Decision D02/10 (ComReg 10/12) on February 15, 2010 in relation to the urban centres which, together with circuit bandwidth, are relevant to the boundary of the scope of the unregulated market for trunk segments of leased lines, in relation to which we are not designated as having SMP, and confirmed that there are 16 such urban centres. At our request that this list be expanded, ComReg issued a consultation on a proposal to add five additional Urban Centres to the list of 16 (ComReg Doc. 13/39 of April 17, 2013). In the resulting decision issued on July 29, 2013, D12/13, ComReg agreed that four of the five locations were competitive and added them to the list of urban centres.

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. In April 2010, we reduced the price of PPCs by 5%, and there were further price reductions ranging from 39% to 42% effective from July 1, 2011 (ComReg Information Notice 11/26).

Following a consultation, ComReg published its Decision D02/12 (ComReg 12/03) in February 2012. The decision specifies the price control obligations which apply to us, and set in particular 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. The price control is a margin squeeze test designed to ensure that the price of our end-to-end wholesale leased lines (including such wholesale leased lines notionally included in our retail leased lines) do not cause a margin squeeze for an SEO using our PPCs and NGN Ethernet inputs to produce end-to-end leased lines. PPCs and NGN Ethernet products (part circuits) are subject to price control and must be priced on the bottom-up long run average incremental cost ("BU-LRAIC") methodology. 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 local access market 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 this Decision, ComReg redefined the market to include local fibre and the market is now called the wholesale physical network infrastructure access ("WPNIA") market. The WPNIA market incorporates LLU (current generation access) and fibre (NGA). The overall market is national in scope so there is no geographic segmentation. In imposing obligations, ComReg has taken a dual approach, treating next generation WPNIA separately from the current generation WPNIA (LLU). In addition to LLU, Decision D05/10 requires us to provide sub-loop unbundling ("SLU") and access to ducts.

With respect to the current generation WPNIA, we cannot withdraw any existing facility without giving five years notice. We must also provide access to operational support systems ("OSS") and provide legally binding SLAs with service credits where targets are not met. Our obligations include obligations in respect of access, non-discrimination, transparency, accounting separation and price control and cost accounting.

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.

From February 9, 2010, ComReg in Decision D01/10 (ComReg 10/10) set the maximum monthly rental charge for LLU at €12.41 and the maximum monthly rental charge for sub loop unbundling at €10.53. In January 2013, ComReg published an Information Notice (ComReg 13/01), confirming a price reduction for LLU to €9.91 per month and sub LLU to €9.03 per month with effect from February 1, 2013.

Line share 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. ComReg published Decision D04/09 (ComReg 09/66) on August 18, 2009, setting the monthly line share price at €0.77 based on the incremental costs of line share, thereby reducing the price from the previous level of €8.41 per month.

We have implemented enhancements relating to the combination of LLU and geographic number portability known as "GLUMP". In May 2007, we introduced a process for inter-operator migrations, allowing LLU operators to win a different operator's telephone or broadband customer and seamlessly migrate them to LLU. In September 2007, we introduced intra-operator migrations permitting operators to move their existing single billing via wholesale line rental (including number portability) or broadband customers onto LLU. In May 2007, we introduced an in-tariff SLA and introduced an enhanced SLA in January 2008. Following a consultation, in October 2009, ComReg published its Decision D05/09 (ComReg 09/77) removing the €47 intra-migration premium charge.

ComReg issued a Consultation and draft Decision (ComReg 15/67) on eircom's Wholesale Access Services on July 3, 2015. The Consultation proposes cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling, Pole and Duct access. ComReg also proposes to implement two new Margin Squeeze Tests between retail and wholesale line rental prices. ComReg has set September 25, 2015 for the response deadline. ComReg has indicated it intends to issue a Decision by the end of 2015 which would implement amendments to price controls for Current Generation Access products in 2016.

Wholesale broadband access – bitstream

In January 2004, ComReg directed us to offer a bitstream port transfer product and process. This facilitates a customer with an existing WBA service switching to an OAO without the need for a significant break in service.

ComReg published Decision Notice D03/05 (ComReg 05/11r) in February 2005 designating us as having SMP in the wholesale bitstream market. ComReg published its Final Decision Notice on Wholesale Broadband Access Price Controls (D1/06) in January 2006. The price controls set the wholesale price by reference to the retail price, using a formula combining the retail price minus a percentage, and a fixed monetary amount.

Following a consultation process, 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). Cable (due to lack of ubiquity), mobile (as it is not an EU recommended market) and fixed wireless access are excluded from the wholesale market definition. ComReg redesignated us as having SMP and imposed upon us the remedies of access, accounting separation, transparency, non-discrimination, price control and cost accounting. As a result of Decision D06/11, we are obliged to give ComReg one month's notice of proposed changes to wholesale broadband products or prices, in advance of giving two months' notice to other operators. Decision D6/11 perpetuates the retail-minus price setting mechanism imposed in ComReg Decision D1/06. ComReg has indicated in ComReg Doc 12/32 of April 5, 2012 that it plans to consult on a revised method for setting maximum prices for bitstream. On September 19, 2013, ComReg published a consultation and draft decision in relation to the price controls to apply to legacy bitstream proposing some refinement including geographic variation of the existing cost orientation and margin squeeze controls. ComReg confirmed its proposals on July 8, 2014 in ComReg Decision 11/14 (ComReg 14/73R).

Following a consultation, ComReg published Decision D06/12 (ComReg 12/32) in April 2012 specifying the price control for the provision by us of wholesale broadband access. In particular, the Decision imposes certain price floors for wholesale broadband access products which are determined by reference to LLU prices so as to ensure that LLU operators are in the position to compete with us in the provision of wholesale broadband access. In addition, the decision requires us not to cause a margin squeeze for an SEO, that is, an operator as efficient as us but of a lesser scale, in our offering of White Label end-to-end wholesale broadband products. This effectively imposes a price floor on our White Label broadband offers.

ComReg issued a Consultation and draft Decision (ComReg 15/67) on eircom's Wholesale Access Services on July 3, 2015. The Consultation proposes cost oriented price caps for Current Generation Access products including Wholesale Line Rental, ISDN, Bitstream, Local Loop Unbundling, Pole and Duct access. ComReg also proposes to implement two new Margin Squeeze Tests between retail and wholesale line rental prices. ComReg has set August 28, 2015 for the response deadline. ComReg has indicated it intends to issue a Decision by the end of 2015 which would implement amendments to price controls for Current Generation Access products in 2016.

Next Generation Access

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 access and dark fibre when duct access is unavailable, fibre unbundling, 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 National Broadband Plan 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; new products in the market are also subject to cost-orientation but there is flexibility for us to negotiate prices directly with OAOs, with ComReg to intervene only where negotiations fail.

In relation to next generation wholesale broadband access, Decision D03/13 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 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, the notification period is reduced from 15 working days to five working days.

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.

On May 22, 2008, ComReg issued a Decision Notice (ComReg D08/35) providing a nominal pre-tax WACC of 10.21% to be used for the purpose of our separated accounts and as a basis for allowing us an adequate rate of return on our mean capital employed for regulatory purposes, including the setting of our regulated wholesale prices. On December 18, 2014 Comreg issued a Decision Notice (ComReg D15/14) specifying 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 shall not be affected by this decision and shall continue to have full force and effect until such time as a price review is conducted and a new regulated price set.

Accounting separation

Under EU and Irish legislation, ComReg has imposed accounting separation obligations upon us using a number of Directions. 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 2011, 2012, 2013 and 2014 separated accounts have been 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.

eircom Wholesale Reform-Regulatory Governance Model

We have been involved in a number of wholesale reform initiatives, including a range of reforms 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 eircom 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 eircom's Wholesale Reform Programme was the development of an enhanced Regulatory Governance Model which has delivered the following:

- A Group Wide Code of Practice (COP) dealing with eircom'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 programme 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 2015/2016 financial year.

- Independent Regulatory Compliance and Audit Reports to the Board Wholesale Reforms Committee and ComReg on a six monthly basis. The May 2015 Report has also been circulated to ComReg and an Update to Industry was published on 14 August 2015.

Compliance

ComReg and other regulatory bodies occasionally make enquiries and conduct investigations concerning our compliance with applicable laws and regulations.

In July 2013, ComReg notified us of a finding that, in regard to the introduction of mandatory direct debit for new customers connecting to the network, we had not complied with our USO obligations in that seeking a direct debit as a condition of service amounts to a "refusal to supply" service which is contrary to our USO obligation. We responded to this notification on August 12, 2013 rejecting the assertions made by ComReg and confirming that we would not amend the requirement. No further steps have been taken by ComReg at the date of this report.

In March 2013 ComReg commenced a compliance investigation into the differences in the Quality of Supply for Bitstream connections versus Retail connections. In July 2015 ComReg notified us that we had not complied with non-discrimination and transparency obligations in the Wholesale Physical Network Infrastructure Access and the Wholesale Broadband Access Markets as provided for in Decision D05/10 and D06/11 respectively. ComReg alleged that we did not provide a service to Other Authorised Operators for Bitstream and Line Share which was at least equivalent to those provided to our Retail arm. It is also alleged that we did not publish on our website for Bitstream and Line Share sufficient information to identify and justify any differences between the services and facilities set out in the Reference Offers and the comparable services and facilities which we provided to ourselves. We have until 20 August 2015 to make representations in relation to the notifications.

In March 2014 ComReg commenced a compliance investigation into the delay in having Retail VPN removed from the lines of customers who had agreed to switch operators. In September 2014 ComReg notified us of a finding of non-compliance for failure to meet reasonable requests for access to wholesale products. We responded to the Notification in October 2014. . In our response we also outlined details of an interim solution that would significantly reduce the numbers of days taken to remove the VPN. A longer term solution implemented in December 2014 ensures that orders are processed within a two day timeframe. We await ComReg's response to our representations.

In March 2015 ComReg commenced a compliance investigation into billing issues being experienced by eircom customers as part of its monitoring of eircom's compliance with Section 45 of Communications Act 2002, which requires service providers to charge correctly for services provided. In May 2015 ComReg issued District Court summonses in respect of these offences. These were heard on 27 July and we were convicted on 7 charges and fined €21,000.

There are other on-going regulatory investigations 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, eircom UK, and are accordingly subject to their laws.

United Kingdom

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, Licences 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.

In a decision dated September 15, 2009, Ofcom, following a review of the wholesale fixed narrowband access markets, determined that eircom UK, along with all other providers of fixed networks in the United Kingdom, has SMP in the market for fixed geographic call termination. Ofcom further decided to require eircom UK to provide network access if reasonably requested to do so, and to do so on fair and reasonable terms. In effect, this decision maintains the regulation that had been imposed on eircom UK and all providers of fixed networks in the United Kingdom by a previous decision of Ofcom on November 28, 2003. In a statement dated April 27, 2011, Ofcom confirmed its previously stated view that any of our fixed geographic call termination charges that are not based on BT plc. charges are unlikely to be fair and reasonable.

While this measure does affect the ability of eircom 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.

On September 26, 2013, Ofcom published a statement concluding its review of the fixed narrowband services markets and, among other things, redesignating eircom 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. The consultation period closed on April 2, 2013. The rates that eircom UK charge are close to BT's, any reduction in rates is expected to have minimal revenue impact.

United States

Up until June 2012, we operated in the United States through a subsidiary which had been granted an international carrier's licence, also known as a section 214 licence. This licence, which allowed us to provide both facilities based and resale telecommunications services, including voice and data services originating or terminating in the United States, and services terminating in countries outside the United States, including Ireland, was relinquished in June 2012 following an assessment that it was not necessary for us to conduct our business.

Regulation of mobile services

2G licence expiry and future spectrum rights

ComReg developed, through a series of consultations since 2008, its policy for the future licensing of mobile spectrum bands. On March 16, 2012, ComReg published its Decision D04/12 (ComReg 12/25) that existing mobile licences would not be automatically renewed and ownership of future rights to spectrum in the 800MHz, 900MHz and 1800MHz spectrum bands would be determined by a multi-band spectrum award ("MBSA") process. In an information notice ComReg published the results of the MBSA auction on November 15, 2012 (ComReg 12/123). Meteor acquired rights to use spectrum for the following spectrum:

- 2x10MHz in the 800MHz band from February 1, 2013 to July 12, 2030;
- 2x5MHz in the 900MHz band from February 1, 2013 to July 12, 2030. In combination with this acquisition eircom agreed to surrender 2x2.2MHz of 900MHz under its 2G licence;
- 2x5MHz in the 900MHz band from July 13, 2015 to July 12, 2030 following expiry of its 2G licence;
- 2x10MHz in the 1800MHz band from February 1, 2013 to July 12, 2030. In combination with this acquisition eircom agreed to surrender 2x4.4MHz of 1800MHz under its 2G licence; and
- 2x5MHz in the 1800MHz band from July 13, 2015 to July 12, 2030 following expiry of its 2G licence.

3G Licence

The fourth 3G licence in Ireland was granted to us on March 12, 2007 and was subsequently assigned to Meteor. The licence 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 licence, 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 licence has been reduced to €3.1 million. Meteor maintains an ongoing compliance programme 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 licences technology neutral (referred to as liberalisation). It is ComReg's intention to issue a further consultation on this matter.

Mobile Termination Rates

Following a consultation process, 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, Three Ireland, Lycamobile, Meteor, O2, Tesco and Vodafone. Each operator carries the following SMP obligations: access, non-discrimination, transparency, price controls (operators were required to apply symmetric rates, following a glide path for reductions and achieving FL-LRIC based prices by July 2014).

Following its consultation, ComReg published its Decision D12/12 (ComReg 12/125) on the price control of the termination rates for fixed and mobile operators. For MTRs, all mobile operators designated as having SMP must have symmetric MTRs in place from December 31, 2012. As part of the transition from the previous 4.15cpm to pure LRIC, a straight line glide path applied with a step change from January 1, 2013. ComReg intended that a pure bottom-up LRIC model will be developed for mobile operators to inform a cost oriented MTR price control from July 2014 onwards.

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. The High Court judgement on this appeal was issued on August 14, 2013, and was in favour of Vodafone. The court determined that setting MTRs by means of benchmarking, as per the initial ComReg model, was not appropriate and that it was ultra vires. The court did not make any comment on the appropriateness of a pure LRIC basis for setting MTRs (the other element of Vodafone's appeal), as a pure LRIC model had not yet been developed by ComReg. 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. ComReg has appealed the judgment and orders of the High Court but no stay was placed on the Order of the High Court so that the maximum MTR of 2.60 cents per minute applies pending the determination of the appeal.

ComReg through a consultation process has been developing a Bottom Up Pure Long Run Incremental Cost Model for Mobile Termination Rates. The most recent consultation in this process was ComReg 15/19. It is anticipated that ComReg will issue a decision on the model and price control before the end of 2015. Once the model has been completed and a pure LRIC MTR set on the basis of that model, Vodafone may require the High Court in the context of its original appeal to review the legality of ComReg's decision and the setting of MTR on the basis of pure LRIC MTR.

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.

In June 2009, Regulation No 544/2009 was adopted by the European Parliament and the Council, amending the 2007 Regulation. The 2009 Regulation amended the timing and level of price caps in respect of voice roaming and introduced new requirements in respect of SMS and data roaming price caps, and technical requirements in respect of

consumer protection. Following a review of the functioning of the Regulation, Regulation No 531/2012 was adopted by the European Parliament and Council of Ministers replacing the 2007 and 2009 Regulations, for further regulation of international roaming within the European Community beyond July 2012. The 2012 Regulation imposes further retail and wholesale caps for voice, SMS and data roaming services. In addition, the 2012 Regulation imposes structural remedies mandating mobile network operators to provide wholesale access to third parties for the provision of retail roaming services to the mobile network's retail customers using the same SIM card and mobile number as used for national services. Mobile network operators were required to put the structural remedies, known as separate sale of roaming, in place by July 2014. The functioning of the 2012 Regulation should be reviewed by mid-2016.

On June 30th, 2015, the Council of Ministers and European Commission announced that agreement had been reached on the text of amendments to the Roaming Regulation. It is intended that 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 will commence from April 2016 during which the mark-up for roaming retail charges will be limited to the wholesale price caps.

9. MANAGEMENT

Directors and Senior Management

The board of directors of the Company currently consists of six 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	64	Non-Executive Chairman
Bruno Claude	56	Non-Executive Director
Nicholas Hartery	64	Non-Executive Director
Parm Sandhu	47	Non-Executive Director
Richard Moat	60	Director and Chief Executive Officer
Huib Costermans	48	Director and Chief Financial Officer

The business address of each Director is eircom Group, 1 Heuston South Quarter, St. John's Road, Dublin 8.

Padraig McManus joined eircom 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 Economic and Social Research Institute of Ireland ("ESRI"), the Photonomi Group, Mincon International, Business in the Community and 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.

Bruno Claude joined eircom as a Non-Executive Director in June 2012. Mr. Claude served as President and Chief Executive Officer of Cablecom GmbH from 2001 to 2006 when the company was successfully sold to Liberty Global. He was responsible for the turn around and the strategic re-direction of the business into one of the most successful quad play operators in Europe. From 2000 to 2003 Mr. Claude also served as Chief Operating Officer of NTL where he was responsible for all the continental European activities. He was a member of the Industry Council at GMT Communications Partners LLP from 2004 to 2011. In addition to the above roles, Mr. Claude was Managing Director of CEA Capital Advisor and held various positions with Prime Cable, which he joined in 1985 and served as deputy to the president. He holds a Master of Engineering degree from the University of Louvain and a Master of Business Administration from Cornell University.

Nicholas Hartery joined eircom as a Non-Executive Director in June 2011. He previously served as a Non-Executive Director from 2009 to 2010. From 2000 to 2008, Mr. Hartery was vice-president of manufacturing and business operations for Dell Inc.'s Europe, Middle East and Africa operations. He is chairman of CRH plc, an Irish based international building materials group, where he has been a Non-Executive Director since 2004. He is also a non-executive director of Musgrave Group, a privately owned international food retailer and of Finning International, Caterpillar's largest equipment dealer and global business partner. He is currently chief executive of Prodigium, a consulting company which provides business advisory services. In addition to the above roles, Mr. Hartery has also been executive vice president at Eastman Kodak and held the position of president and Chief Executive Officer at Verbatim Corporation. He holds a Bachelor of Engineering (Electrical) from University College Cork and Masters in Business Administration from University College Galway and is a Fellow of the Institute of Engineers of Ireland.

Parm Sandhu joined eircom as a Non-Executive Director in 2012 and is an international media and telecoms expert with a recognised track record of value creation through his thought leadership in strategic marketing, network investment and corporate finance initiatives. Mr Sandhu also serves as a Non-Executive Director of Central European Media Enterprises Ltd, a free-to-air broadcaster in CEE. 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 Int'l 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 first class MA Honours degree in Mathematics and is a UK qualified ACA and

a member of the Chartered Institute of Marketing.

Richard Moat joined eircom as Group Chief Financial Officer in September 2012. Since June 2012, he has been an independent Non-Executive Director of International Personal Finance plc. He was appointed as Chief Executive Office 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. He is a member of the advisory board of Tiaxa, Inc., a trustee of the Peter Jones Foundation, and a fellow of the Association of Chartered Certified Accountants. He 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 eircom 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 USA 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

Our senior management consists of the following senior managers who are responsible for the business and administrative departments indicated below.

Name	Age	Position
Richard Moat	60	Chief Executive Officer
Huib Costermans	48	Group Chief Financial Officer
Jon Florsheim	55	Managing Director – Consumer
Bill Archer	57	Managing Director – eircom Business
Carolan Lennon	48	Managing Director – Wholesale
Johnny Shine	61	Managing Director – Networks
Steve Mitchell	39	Chief Strategy Officer
Erik Slooten	43	Chief Information Officer

Jon Florsheim was appointed to the position of Managing Director, Consumer Division, eircom Limited on Tuesday 18th November 2014. Mr. Florsheim has been with eircom since May 2014 as Director of TV & Fixed, spear-heading 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 eircom, 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 eircom's 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 eircom, eMobile and Meteor brands. Prior to joining eircom 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.

Johnny Shine was appointed Managing Director of eircom's Networks division in August 2013. From 2009 to 2013, Mr. Shine was the Deputy Chief Executive of the Electricity Supply Board ("ESB"), where he also held a number of senior executive positions within the Networks, Marketing and International Services divisions. Mr. Shine holds a Master of Business Administration and an Electrical Engineering Degree from University College Dublin.

Steve Mitchell was appointed Chief Strategy Officer for eircom Group in December 2014. The Group Finance function also reported to Mr. Mitchell until 4th August 2015 when Mr. Costermans commenced his role as Group Chief Financial Officer. Mr. Mitchell joined eircom in 2012, most recently leading our Corporate Finance function, where he was responsible for Group's M&A, Capital Structure, Capital Expenditure, Investor Relations and Treasury activities. His previous experience includes 10 years with T-Mobile and Everything Everywhere, where he held a variety of leadership roles.

Erik Slooten also commenced his role on 4th August 2015, having been appointed Chief Information Officer, joining eircom Limited from T-Mobile in the Czech Republic, where he was Regional Vice President for Processes and Systems. Prior to this, he was CIO of GTS, also in the Czech Republic. He was previously CIO at Vivacom in Bulgaria.

Compensation of directors, executive officers and the senior management team.

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, 2015 under any description whatsoever was €28.2 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, 2015 contained elsewhere in this annual report.

We maintain directors' and officers' liability insurance.

eircom Directors' service contracts

Details of the terms of each of eircom's 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.
Bruno Claude.....	Non-Executive Director	Indefinite duration; may be terminated with three months' notice	Indefinite	No contractual termination payments
Nicholas Hartery	Non-Executive Director	Indefinite duration; may be terminated on 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 1 December 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.

Incentive Schemes

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 SA, 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 as a result is required to be re-measured at each reporting date 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. The implementation of the management incentive plan amendments, approved by shareholders on 8 December 2014 and the transactions envisaged pursuant to those amendments to be completed by 8 October 2015, were completed during the quarter ended 30 June 2015. 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 2.67 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 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.

Executive Officers of eircom

The Chief Executive Officer and Chief Financial Officer are both executive officers and employed by eircom.

Name	Age	Position
Richard Moat[(1)]	60	Group Chief Executive Officer
Huib Costermans [(1)]	48	Group Chief Financial Officer

Note:

(1) Biography included under "*—Directors and Senior Management—Board of Directors of eircom Holdings (Ireland) Limited*".

Corporate Governance

Nomination Committee

The nomination committee assists the Board of Directors in nominating candidates for roles within the organisation.

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.

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 the Company's annual financial statements, internal financial control and risk management systems, monitoring and reviewing eircom's internal audit programme and advising on the appointment of eircom's external auditors.

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 beneficial holders of equity shares of eircom Holdco S.A., the parent of EHIL, as of close of business on August 26, 2015:

	Ordinary shares and warrants beneficially owned			
Name[2]	**No. of Class A Shares**	**No. of Class A Warrants**	**Total**	**(%)[1]**
Anchorage entities	2,312,477.41	-	2,312,477.41	37.92%
York Capital Management	707,587.64	218,281.33	925,868.97	15.18%
Davidson Kempner Capital	670,846.32	50,009.09	720,855.41	11.82%
Credit Suisse entities	117,302.17	41,977.75	159,279.92	2.61%
Citi entities	99,485.14	-	99,485.14	1.63%
BNP Paribas entities	77,085.64	-	77,085.64	1.26%
Pimco entities	61,013.00	-	61,013.00	1.00%
Arrowgrass entities	49,997.56	-	49,997.56	0.82%
Alcentra entities	48,540.28	-	48,540.28	0.80%
Pemba entities	46,192.22	-	46,192.22	0.76%

(1) The % 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.

(2) The list excludes equity interests held for the purposes of the management incentive plan which are noted below

As at August 26, 2015, eircom MEP Intermediary SCS S.A. and Cayman National Trust Co. Ltd, the management pooling vehicles for the management incentive plan, hold 941,059 Class A Shares of eircom Holdco S.A., representing 15.43% of all beneficially owned shares of eircom Holdco S.A.

On 8 December 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. Upon such conversion and transfer from treasury, on 8 December 2014, eircom MEP S.A. transferred all of its beneficial interest to eircom MEP Intermediary SCS S.A. and Cayman National Trust Co. Ltd.

As at August 26, 2015, 348,482 Class A warrants are held in treasury, in compliance with article 49-3 of the Luxembourg law of August 10, 1915 on commercial companies, as amended.

Share capital

At June 30, 2015, the issued capital of Eircom Holdco S.A. was €53,770.79, represented by 5,377,079 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 EHIL or eircom Limited, or their affiliates and various individuals and entities that may be deemed to be related parties.

Securityholders deed

The immediate holding company of eircom Limited, EHIL, and its ultimate holding company, eircom Holdco S.A. ("**eircom Holdco**") entered into a securityholders deed with the securityholders of eircom Holdco on June 11, 2012 (and as amended and restated on June 5, 2014).

The deed sets out certain matters regulating the governance of eircom Holdco, including the requirement for securityholder approval of certain matters such as alterations to authorised 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, steps in relation to insolvency or related proceedings and certain other transactions.

The deed provides for the delegation to the board of EHIL the general management of the Group, with certain matters reserved to the eircom Holdco board, including the appointment of our Chairman, Chief Executive Officer and Chief Financial Officer. It also sets out the mechanism for the appointment of directors: shareholders as a body have the right to appoint four directors, with the Chief Executive Officer, Chief Financial Officer and three Luxembourg residents also being members of the board. In addition, the largest single shareholder (provided it holds at least 15% of the Class A Shares in eircom Holdco on an as-converted basis) has the right to appoint one director and the right to appoint a board observer is reserved to the next largest shareholder (or the largest shareholder if its holding is at least 5% of the Class A Shares on an as-converted basis).

Pre-emption rights of securityholders are provided for in the deed in respect of new issues of securities. Securityholders have (excluding the management holding vehicle) "tag-along" rights entitling them to pro rata participation in any sale of more than 30% of the equity interests in eircom Holdco (excluding any held by the management holding vehicle), while "drag-along" rights apply in the case of a sale of more than two-thirds of the equity interests (including any held by the management holding vehicle) thereby entitling the selling securityholders to compel the non-selling securityholders (including the holders of other classes of security) to accept the same sale terms. There is an obligation on any securityholder that holds 30% or more of the equity interests to make a mandatory cash offer for the remaining equity interests. There is also a "squeeze-out" right allowing the holders of 90% or more of the equity interests to compulsorily acquire the remaining minority.

Administrative services agreement

We had entered into an administrative services agreement with eircom ESOP Trustee Limited (as trustee for the eircom Employee Share Ownership Trust ("**ESOT**") a former indirect shareholder of eircom Limited) and the eircom 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, eircom 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 eircom ESOT Trustee Limited's liquidation.

On July 11, 2013 the ESOP Trustee Limited (as trustee for the eircom Employee Share Ownership Trust ("**ESOT**") (a former indirect shareholder of eircom Limited) and the eircom Approved Profit Sharing Scheme ("**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 2020

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 May 20, 2013, eircom Finance Limited (the "Issuer") issued 350,000,000 aggregate principal amount of its 9.25% senior secured notes due 2020 (the "Notes") pursuant to an indenture (the "Indenture") dated May 20, 2013, among eircom Finance Limited, the guarantors named therein, Wilmington Trust, National Association as trustee, Wilmington Trust (London) Limited as security agent, Citibank, N.A., London Branch as principal paying Agent and Citigroup Global Markets Deutschland AG as registrar and Transfer agent. The Notes will mature on May 15, 2020.

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. 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, 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 to repurchase debt under the Senior Facilities Agreement.

Certain Terms and Covenants of the Notes

The Notes bear interest at a rate of 9.25%. Interest on the Notes is payable semi-annually on May 15 and November 15.

The Indenture contain 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, 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 15, 2016, 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 15, 2016, the Issuer may at 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 15, 2016, the Issuer may at its option redeem up to 35% 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 65% 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.

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 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 summary but not otherwise defined in this Annual Report have the same meaning given to them in the Indenture as defined above in the "*Description of the Senior Secured Notes*".

Senior Facilities Agreement

Overview and Structure

In connection with the Examinership, EHIL and certain of its subsidiaries (including eircom Finco s.à.r.l ("Finco") as the Original Borrower) entered into a senior facilities agreement dated on the Restructuring Date (as defined therein, being June 11, 2012, the "Restructuring Date") as amended and restated on 22 January 2013, on 14 March 2013, on 4 April 2014, and on 11 June 2015, and as further amended from time to time (the "Senior Facilities Agreement") with, among others, Wilmington Trust (London) Limited as agent (the "Agent") and security agent (the "Security Agent") and the lenders thereunder (the "Lenders"). The Senior Facilities Agreement originally provided for a €2,344.7 million senior secured term loan ("Facility B"), which had subsequently reduced to €2,005 million, at June 30, 2013, following the completion of the permitted bond refinancing, the proceeds of which were used to repay part of Facility B. The obligors under the Senior Facilities Agreement as at the date of this Annual Report are EHIL, Finco, eircom Limited, Meteor Mobile Communications Limited ("MMCL"), Irish Telecommunications Investments Limited ("ITI"), Meteor Ireland Holdings LLC, eircom (UK) Limited and the Issuer (these obligors together with any entities which may accede as obligors in the future are referred to in this "*Description of other Indebtedness"* section as the "Obligors").

On the Restructuring Date, Finco, was deemed to have utilised Facility B in full. No further utilizations of Facility B were permitted. As described further below in this section, on April 4, 2014, Facility B was divided into two term facilities ("Facility B1" and "Facility B2", respectively), and on June 11, 2015, a further division of term loan facilities ("Facility B3") was effected.

The Senior Facilities Agreement contemplates a revolving credit facility of up to €150,000,000, which ranks senior to Facility B and is reflective of then current market pricing for super senior revolving credit facilities of its type and nature (a "Super Senior RCF"), being put in place, either by incorporation into the Senior Facilities Agreement or by way of a separate facility agreement. The Senior Facilities Agreement provides that a Super Senior RCF may be put in place with the consent of the Majority Lenders (as defined in the Intercreditor Agreement). The Intercreditor Agreement also contains provisions allowing such a Super Senior RCF to be put in place. The provisions of the Intercreditor Agreement in this regard are described further in the section entitled "*Intercreditor Agreement*" below.

For the purposes of this "*Description of other Indebtedness*" section, "Group" does not include Tetra.

€339 million of the proceeds of the Notes as described in "*Description of the Notes due 2020*", were used to purchase Senior Loans at an average price of €0.933 per €1.00, reducing the amount due to lenders by €364 million.

On April 4, 2014, EHIL effected an amendment and extension of the terms of the outstanding principal 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 redesignated as Facility B2 loans, with a maturity date of September 30, 2019, which constituted an extension of the maturity date by two years. A number of other amendments 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 (described in further detail below – *see Description of the Other Indebtedness – Specified Change of Control Event*); (iv) the de-staple

of the debt and equity on the effective date of the 2014 Amendment and Restatement (the "2014 Consent Date"); (v) the inclusion of a provision permitting certain dividend payments by EHIL following a Flotation (as defined below in this section); 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 B borrowings (the "2015 Amendment and Restatement"). In accordance with the terms of the 2015 Amendment and Restatement, approximately 92.1% of Facility B loans were redesignated as Facility B3 loans, 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.

New facility B3 lenders (to the extent not already a B1 or B2 lender) were invited to participate in the Facility B3 loan. The proceeds from new facility B3 lenders were used to fully repay non-extending lenders in Term Loan B1 and partially repay non-extending lenders in Term Loan B2.

A number of other amendments 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 from relevant periods expiring 30 September 2015 to 30 June 2019, together with an extension of all financial covenants from relevant periods expiring 30 September 2019 to 31 March 2022; (ii) increased flexibility to use certain Permitted Bond Refinancing to make acquisitions, to purchase assets or to repay in part or in full other outstanding Notes previously issued under a Permitted Bond Refinancing (iii) resetting and extension of the duration of availability of a Specified Change of Control Event to 24 months after the effective date of the 2015 Amendment and Restatement (the "2015 Consent Date") and change to definition of Permitted Transferee to include a listed strategic investor focused on the European telecommunications sector (described in further detail below); (iv) amendment to the definition of Permitted Acquisitions including changes to proforma leverage tests and synergy calculations for the purposes of covenant compliance in the event of acquisitions with a purchase price of greater than €150m; (v) introduction of a floor for LIBOR and EURIBOR of zero, which apply to all the term loan facilities, including facility B3.

Under the Senior Facilities Agreement, interest periods may be varied to one, three or six months at the discretion of the group. Up to 11 June 2015, interest payments on Facilities B borrowings were made on a quarterly basis, after which the group elected to move to monthly interest periods. During the year, the group entered into forward starting monthly interest rate swaps with a notional principal amount of €1,200 million for a period of three years from 11 June 2015. These new swaps replaced the previous three year swaps which expired on 11 June 2015.

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, PIK interest at 1.00% *per annum* was accrued and capitalised on Facility B1. Following the 2015 Amendment and Restatement, all remaining B1 loans were fully repaid.

Facility B2 and 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*. Following the 2015 Amendment and Restatement, a floor of zero for LIBOR and EURIBOR applies in respect of all term loan facilities. Facility B2 and B3 loans are not subject to PIK interest.

Any default interest is calculated at 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 outlined above, Facility B1 loans were fully repaid and Facility B2 loans were partially repaid on June 11, 2015. The portion of the loans which remains designated as Facility B2 is repayable in full on the termination date in respect of Facility B2, which is September 30, 2019. Facility B3 will become repayable on May 31, 2022.

Mandatory Prepayment

The Senior Facilities Agreement allows for voluntary cancellation and voluntary prepayments (which are subject to *de minimis* amounts) and requires mandatory prepayment in full or in part in certain circumstances including:

- on certain exit or change of control events (excluding specified change of control events – see *Description of Other Indebtedness – Specified Change of Control Event)* as follows:

  (a) eircom Holdco S.A. ("Holdco") ceases to own 100% of Finco or eircom Limited;

  (b) any person or group of persons acting in concert gains direct or indirect control of Holdco;

  (c) a sale of all or substantially all of the assets of the Group occurs (whether in a single transaction or a series of related transactions); or

  (d) a corporate reorganisation of the Group which results in the separation of the Group's network assets from the rest of the Group;

- following:

  (a) a successful application being made for the admission of any part of the share capital of any member of the Group (or holding company of any member of the Group) to the Official List of the UK Listing Authority or the Official List of The Irish Stock Exchange Limited and the admission of any part of the share capital of any member of the Group (or holding company of any member of the Group) to trading on the London Stock Exchange plc or The Irish Stock Exchange (other than where no cash proceeds are received by or on behalf of any member of the Group or any holding company of any member of the Group and where the sole purpose of making such action is to provide liquidity for the parties to the Securityholders' Agreement dated on or about the Restructuring Date entered into between Holdco, EHIL and certain of the Lenders (the "Securityholders' Agreement"); or

  (b) the grant of permission to deal in any part of the issued share capital of any member of the Group (or holding company of any member of the Group) on the Alternative Investment Market or the Irish Enterprise Exchange or the European Acquisition of Securities Dealers Automated Quotation System or on any recognised investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any exchange or market replacing the same or any other exchange or market in any country (other than where no cash proceeds are received by or on behalf of any member of the Group or any holding company of any member of the Group and where the sole purpose of making such action is to provide liquidity for the parties to the Securityholders' Agreement),

  (each of (a) or (b) above being a "Flotation") in each case, in an amount equal to the cash proceeds of such Flotation net of all fees, costs, expenses, charges, commissions, liabilities, taxes and other out of pocket amounts incurred, paid or payable in relation to such Flotation;

- from net cash proceeds received by the Group from certain disposals of assets; certain claims against the vendor, its affiliates or any report providers in respect of any Permitted Acquisition (as defined in the Senior Facilities Agreement), and certain insurance claims, in each case to the extent that such cash proceeds exceed certain agreed thresholds and have not satisfied other conditions;

- following the earlier of (i) June 30, 2016, (ii) the date on which total leverage is equal to or less than 4.00:1, and (iii) the date on which the Group has completed fibre optic network roll-out to 1 million properties or more, the amount (the "Excess Cash Payment Amount") equal to 50% of Excess Cashflow (as defined in the Senior Facilities Agreement) for the financial year in which such event occurred, and 50% of Excess Cashflow for any subsequent financial year, must be applied in the form of a prepayment (provided, in each case, that the Excess Cash Prepayment Amount is greater than €5,000,000). There shall be no obligation to

make this mandatory prepayment in any financial year where Total Leverage (as defined in the Senior Facilities Agreement) is equal to or less than 3.00:1;

- from the proceeds of a Permitted Bond Refinancing (as defined in the Senior Facilities Agreement), which would include the issue of the Notes, or from a permitted subordinated bond refinancing, unless those proceeds are to be used for (i) a Debt Purchase Transaction (as defined in the Senior Facilities Agreement) (ii) directly or indirectly financing or refinancing all or any part of the consideration payable for any Permitted Acquisition or to purchase other assets useful in the Group's business provided that the maximum amount of Permitted Bond Refinancing Proceeds that may be used shall not exceed €500,000,000 (or its equivalent) in aggregate (iii) fund the repayment, prepayment, purchase, redemption or other acquisition or retirement of all or a portion of any outstanding Notes

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 B1 and/or Facility B2 and/or Facility B3;

- allowing for cancellation of the commitment of a single Lender, and prepayment of that Lender's participation in Facility B1 and/or Facility B2 and/or Facility B3, in certain circumstances where the 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.

Specified Change of Control Event

Capitalised terms set forth and used in this "*Specified Change of Control Event*" section and not otherwise defined have the same meanings as set forth in the Senior Facilities Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Annual Report.

The 2014 and 2015 Amendment and Restatements incorporated provisions into the Senior Facilities Agreement which provides that no mandatory prepayment of Facility B would be required under the following circumstances (such circumstances being a "Specified Change of Control Event"):

(a) the change of control is to (i) any person or group of persons (an "Existing Significant Shareholder") acting in concert (including any funds or partnerships managed or advised, directly or indirectly by such person or persons) which was the beneficial owner in aggregate of more than five per cent. of the issued share capital of Holdco immediately prior to the 2015 Consent Date and any of their Affiliates and Related Funds or (ii) to an internationally recognised financial institution with assets under management of US $3 billion or over or (iii) to a strategic investor listed on a recognised stock exchange with a focus on acquiring businesses similar, complementary or related to that carried on by the group

(b) after the change of control, the transferee(s) beneficially hold/ holds at least 30% of the total issued share capital of Holdco;

(c) the Specified Change of Control Event occurs within 24 Months from the 2015 Consent Date subject to a maximum of once each (i) for transfers to an Existing Significant Lender or its Affiliate or Related Fund and (ii) for all other transfers, provided that the transfer under paragraph (i) (if any) can only occur prior to any transfer under paragraph (ii);

(d) there is no increase to the ratio of Total Leverage after giving pro forma effect to the change of control event; and

(e) as a result of the change of control, the ratio of Consolidated Total Net Debt to the value of the equity in Holdco (calculated by reference to the price paid for the acquisition which triggered the change of control) is not greater

than (i) if the transfer is to an Existing Significant Shareholder or its Affiliates or Related Funds, 4.0:1 or (ii) if the transfer is to any other permitted transferee, 3.0:1.

Guarantees

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, including the hedging banks under the Hedging Agreements (as defined in the "*Intercreditor Agreement"* section below).

Recourse against EHIL under the guarantee is limited to the proceeds of enforcement of Transaction Security (as defined in the "*Intercreditor Agreement"* section below).

The Senior Facilities Agreement requires that (subject to certain agreed security principles) each subsidiary of EHIL (other than Osprey Property Limited or its subsidiaries) that is or becomes a Material Company (as defined in the Senior Facilities Agreement, which definition 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 representing 5% or more of consolidated EBITDA or gross assets representing 5% or more of the gross assets of the Group or turnover (excluding intra-group items) representing 5% or more of the gross turnover of the Group, in this "*Description of other Indebtedness*" section a "Material Company") will be required to become a guarantor under the Senior Facilities Agreement.

Furthermore, EHIL must ensure that at all times the aggregate consolidated EBITDA, consolidated gross assets and consolidated turnover of the guarantors represents at least 85% of each of the consolidated EBITDA, consolidated gross assets and consolidated turnover of the Group.

Security

Pursuant to the Security Documents, each of Holdco, EHIL, Finco, Meteor Ireland Holdings LLC, eircom (UK) Limited, Eircom Limited, Eircom Limited (Irish Branch) and the Issuer has granted in favour the Security Agent, liens and security interests on a first-priority basis, subject to the operation of the agreed security principles set out in the Senior Facilities Agreement, certain perfection requirements and any Permitted Security (as defined in the Senior Facilities Agreement), over certain of its assets as described below:

- in the case of the Issuer, over all of its assets, including its rights under the intercompany loan from the Issuer to eircom Limited relating to the initial proceeds of the Notes;

- in the case of Holdco, over the shares in EHIL and related rights;

- in the case of EHIL, over all of its assets;

- in the case of Finco, over certain of its bank accounts and over its interests in the RICA replacement loans (as described further below);

- in the case of Meteor Ireland Holdings LLC, over substantially all of its assets. No substantial assets of Meteor Ireland Holdings LLC are excluded from the security; and

- in the case of eircom (UK) Limited, over 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.

eircom Limited, MMC and ITI have, pursuant to debentures granted in 2012 in favour of the Security Agent (the "**2012 Debentures**"), granted first ranking security in favour of the Security Agent over all of their assets other than certain assets as referred to in the 2012 Debentures. eircom Limited (Irish Branch) has, pursuant to a debenture granted in 2014 which was supplemented in 2015 (the "**EL 2014 Debenture**"), granted first ranking security in favour of the Security Agent over all of its assets other than certain assets as referred to in the EL 2014 Debenture.

eircom Limited has granted to the Security Agent security over its shares in Tetra. The first ranking security over the shares in Tetra is held by Bank of Ireland as security for permitted financing made by it to Tetra (as described further in the section titled "*Financing Provided to Tetra*" below). The second ranking security is created under the EL 2014 Debenture. There is a deed of priorities which governs the priority of the security over the shares in Tetra. That deed of priority contains restrictions on the exercise of the Security Agent's security over the Tetra shares.

The collateral secures liabilities under the Senior Facilities Agreement and under the guarantees of Facility B given by eircom Limited (Irish Branch), MMC and ITI and eircom Limited. The collateral also secures liabilities under the Hedging Agreements and the Notes, *provided* that counterparties to Hedging Agreements will receive proceeds from the enforcement of the collateral in priority to the Lenders and the holders of the Notes. Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Hedging Agreements will receive priority over Lenders and the holders of the Notes with respect to any proceeds received upon any enforcement action over any collateral. Other than any Permitted Security or Permitted Transaction (each as defined in the Senior Facilities Agreement), no Obligor is permitted to grant further security over its assets. Any proceeds received upon any enforcement over any collateral, will be applied in the order set out in the Application of Proceeds section of the Intercreditor Agreement.

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 being repeated).

Covenants

The Senior Facilities Agreement contains customary operating and financial covenants (see "*Financial Covenants*"), 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 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, redeem share capital or make certain payments to shareholders 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, acting other than as a holding company;
- allow any dormant company to commencing trading;
- make amendments to certain documents and enter into agreements with shareholders of EHIL;
- establish or participate in any defined benefit pension scheme;

- 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.

Financial Covenants

The Senior Facilities Agreement requires the Group to comply with certain financial covenants. The ratios are based on the definitions in the Senior Facilities Agreement, which may differ from similar definitions in the Indenture and the equivalent definitions described in this Annual Report. Capitalized terms used in this *"Financial Covenants"* section have the meanings given in the Senior Facilities Agreement. The covenants set out include, among other things:

- *Interest Cover* - maintenance of a minimum ratio of Consolidated EBITDA to Consolidated Net Finance Charges in respect of any relevant measurement period.

- *Total Leverage* - maintenance of a maximum ratio of Consolidated Total Net Debt to Consolidated EBITDA in respect of any relevant measurement period.

- *Cash Cover* – maintenance of a minimum ratio of Cashflow to Net Debt Service in respect of any relevant measurement period ending on or after September 30, 2015.

- *Cash Liquidity* – maintenance of a minimum level of Cash Liquidity of €50,000,000, in respect of each financial quarter, to be tested at each financial quarter up to and including the financial quarter ending June 30, 2015.

- *Capital Expenditure* – ensuring that the annual aggregate capital expenditure does not exceed certain maximum amounts, which are subject to certain carry forward and carry back allowances.

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 under the Senior Facilities Agreement, 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 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 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 a Material Company;

- non-permitted change in ownership of an Obligor or Material Company;

- revocation of any material licence, including any material telecommunications licence;

- audit qualification of the 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;

- litigation or other proceedings which are likely to have a material adverse effect on the Group or any material adverse change.

Amendments and Waivers

Subject to the terms of the Intercreditor Agreement and certain exceptions where the consent of all Lenders, the Super Majority Lenders (being a Lender or Lenders whose Commitments (as defined in the Senior Facilities Agreement) aggregate more than 80% of Total Commitments (as defined in the Senior Facilities Agreement)) or specific affected parties is required, the Senior Facilities Agreement may be amended with the consent of EHIL and the Majority Lenders (as provided in the Intercreditor Agreement).

Other provisions

The Senior Facilities Agreement contains customary provisions relating to:

- taxes, including tax gross-up provisions, tax indemnities, and provisions relating to stamp taxes and value added tax;

- payment of amounts to Lenders in respect of increased costs to Lenders, or reductions in rates of return or amounts due to Lenders, as a result of certain changes in law or regulation or compliance with law or regulation;

- indemnification of the Lenders for certain currency conversions that the Lenders may be required to make;

- indemnification of the Lenders, the Agent and the Security Agent for certain costs they may incur, including in relation to any default or enforcement of security;

- payment by the Obligors of certain costs in relation to the Senior Facilities Agreement, including in relation to transaction documentation, amendments, waivers and consents, enforcement and on-going costs of the Security Agent for duties outside the scope of its usual duties.

Interest Rate Swaps and Certain Other Hedging Arrangements

The group uses derivative financial instruments to hedge certain interest rate risk exposures on the group's borrowings which are subject to the 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 Group entered into two interest rate swaps for a total notional principal amount of €1.2 billion, at a weighted average rate of 0.252% for the period from December 11, 2012 to June 11, 2015. Subsequently, in November 2014, the group entered into two forward starting interest rate swaps with a total notional principal amount of €1.2 billion at a weighted average rate of 0.099% for a period of three years from 11 June 2015. As explained above, the amendments implemented in June 2015 as part of the 2015 Amendment and Restatement included the introduction of a floor for LIBOR and EURIBOR of zero, which applies to all the term loan facilities, including facility B3. There is no corresponding floor in our interest rate swaps. Therefore the swaps do not meet the requirements for hedge accounting.

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) Treasury Transactions hedging the types of liabilities and/or risks which the hedging policy letter agreed between the Group and the Lenders require to be hedged, (ii) spot, forward delivery and option foreign exchange contract entered into in the ordinary course of business and not for speculative purposes and (iii) Treasury Transactions entered into for the hedging of actual or projected real exposures arising in the ordinary course of trading activities of a member of the Group for a period of not more than 24 months and not for speculative purposes.

Restated Intercompany Claims Agreement

In connection with the Examinership, under the terms of the scheme of arrangement, the debt claims of the lenders (the "Pre-Examinership Lenders") against eircom Limited, MMC and ITI under the Senior Facilities Agreement dated May 22, 2006 made between, among others, ERC Ireland Holdings Limited and J.P. Morgan Europe Limited were reduced and deemed to be held on amended terms (the "Restated Intercompany Claims"). Also pursuant to the scheme of arrangement, the Pre-Examinership Lenders' rights in the Restated Intercompany Claims were transferred to Finco. The terms on which the reduced debt is owing to Finco from eircom, MMC and ITI are set out in the Restated Intercompany Claims Agreement dated as of the Effective Date (as defined therein and being June 11, 2012 and as amended and/or amended and restated from time to time) between, among others eircom Limited, MMC, ITI and Finco (the "Restated Intercompany Claims Agreement"). In connection with the reorganisation of the eircom Group which completed in July 2015, the Restated Intercompany Claims Agreement was repaid and replaced with two intercompany loans under which eircom Limited (Irish Branch) is the entity now owing the Restated Intercompany Claims to Finco (the "RICA Replacement Loans").

The repayment, default and representations and warranties provisions of the RICA Replacement Loans mirror the Senior Facilities Agreement. The interest provisions of the RICA Replacement Loans mirror those of the Senior Facilities Agreement, other than that an additional margin of 0.049% is payable under the RICA Replacement Loans. The covenants in the Senior Facilities Agreement are mirrored in the RICA Replacement Loans other than the financial covenants, which do not apply to the RICA Replacement Loans.

Finco's interests in the RICA Replacement Loans have been assigned to the Security Agent as described above under "*Security*".

Financing provided to Tetra

Tetra (a company in which eircom holds a 56% interest) entered into a €85 million term loan facility with The Governor and Company of the Bank of Ireland (the ''Tetra Facility'') on October 6, 2008, of which €9 million was outstanding as at June 30, 2015. This facility, which is fully utilised, was drawn by Tetra to finance the activities of Tetra including the funding of a project for the provision of nationwide digital radio services for voice and data purposes. The Tetra Facility carries an interest rate of 1 month EURIBOR plus a margin of 1%. The loan is repayable in instalments every six months and the final repayment date is February 2016. The primary security for the Tetra Facility is a first ranking security interest over the assets of Tetra, together with first ranking share charges from each of eircom, Motorola Inc. and Sigma Communications Group Limited. Tetra has hedged its floating rate borrowings, using an interest rate swap.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under the financing arrangements, each of the current Obligors and any other entity which accedes to the Intercreditor Agreement as a debtor, which includes the Issuer of the Senior Secured Notes (together the "Debtors") have entered into the Intercreditor Agreement dated as of the Restructuring Date, with, among others, the Security Agent, the Lenders and the Agent. On or prior to the Issue Date 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, restrictions on payment of Intra Group Liabilities, 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, application of certain monies received by the Group, the process of obtaining waivers and remedies under the various finance documentation and turnover provisions.

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.

By accepting a Note the relevant holder thereof is deemed to have agreed to, and accepted the terms and conditions of the Intercreditor Agreement. The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement, and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes. A copy of the Intercreditor Agreement shall be made available to investors upon request.

Definitions

The following defined terms are used in this summary of the Intercreditor Agreement unless otherwise defined in the Indenture:

"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.

"EHIL Liabilities" means all Liabilities owed by any Debtor to EHIL under any relevant Structural Intra-Group Loan.

"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, as at the date of the Annual Report being Goldman Sachs International and BNP Paribas.

"Hedging Agreements" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by Finco and a Hedge Counterparty for the purpose of hedging the types of liabilities and/or risks in relation to Facility B which, at the time that that master agreement, confirmation, schedule or other agreement (as the case may be) is entered into, the Hedging Letter (being the letter entered into between the Agent and Finco describing the hedging arrangements to be entered into in respect of the interest rate liabilities of Finco in relation to Facility B) requires to be hedged.

"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.

"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.

"Primary Creditors" means the Senior Creditors and the Senior Secured Notes Creditors.

"Senior Creditors" means the Lenders and the Hedge Counterparties.

"Senior Lender Liabilities" means the Liabilities owed by the Debtors to the Lenders under the Senior Finance Documents.

"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 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.

"Senior Secured Notes Creditors" means the Senior Secured Noteholders and each Senior Secured Notes Trustee.

"Senior Secured Notes Liabilities" means the Liabilities owed by eircom and the Debtors to the Senior Secured Notes Creditors under the Senior Secured Notes Documents.

"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 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 favour 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 Facility B1 and Facility B2, 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 and the Senior Secured Notes Liabilities *pari passu* between themselves and without any preference between them.

The Intercreditor Agreement also provides for a Super Senior RCF to be put in place that would rank ahead of the Senior Lender Liabilities and the Senior Secured Notes Liabilities both in right and priority of payment and in relation to the Transaction Security (see "*Super Senior RCF*" above).

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 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.

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.
"ADSL bitstream access (bitstream)"	a wholesale broadband access product which utilises ADSL technology.
"ADSL 2+"	a more advanced technical standard that supports download speeds of up to 24 Mbit/s.
"Agency re-billing"	effectively enables an operator to bill the end customer for all services delivered over a particular line. A prerequisite for this service is that the end customer must have already taken carrier pre-selection for all call types with the relevant operator.
"ARO" or "Access Reference Offer"	details the wholesale offering of new access service to all access seekers (other operators).
"ATM" or "Asynchronous Transfer Mode"	an international 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.
"BIP" or "Business IP+"	a 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.
"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).
"BSS"	Business Support Systems
"Contention"	a measure of sharing of broadband capacity that can apply either in access or backhaul network elements.
"CPI"	consumer price index.
"CRM"	Customer Relationship Management
"CSO"	Central Statistics Office – Government body responsible for compiling Irish Statistics
"DSL"	digital subscriber line.
"EDGE"	Enhanced Data GSM Environment – EDGE is a faster version of GSM designed to deliver data at rates up to 384kbps and enable delivery of multimedia and other broadband applications to mobile phone and computer users
"eVDSL"	Ethernet Very-high-bit Digital Subscriber Line
"FTTDp"	Fibre to the distribution point
"FTTH"	Fibre to the home
"FTTB"	Fibre to the building
"FMC"	Fixed Mobile Convergence – Fixed voice, fixed broadband and mobile bundle
"Frame relay"	frame relay is a high-speed open protocol that is more efficient than earlier packet switching protocols and is particularly suited to data-intensive applications such as connecting local area networks.
"FRIACO" or "Flat Rate Internet Access Call Origination"	an un-metered interconnection service that provides capacity from originating customers to the point of connection of an operator.
"GPRS" or "General Packet Radio Service"	mobile data service available to users of GSM mobile phones providing moderate speed data transfer.
"GSM"	global system for mobile communications.
"HSPA" or "High-Speed Packet Access"	An enhanced 3G (third generation) mobile telephony communications protocol in the High-Speed Packet Access (HSPA) family, also coined 3.5G, 3G+ or turbo 3G.
"Interconnect"	the connection of one telecom operator's network to another.
"Internet"	a public network based on a common communication protocol which supports communication through the world wide web.
"IP" or "internet protocol"	the communications standard that defines the protocol for data transfer between computer systems that provides a basic packet delivery service.

"IPTV" or internet protocol TV	system through which television services are delivered using the Internet protocol suite over a packet-switched network such as the Internet
"ISDN" or "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 line consists of between 2 and 30 access channels.
"ISP" or "internet service provider"	a business providing Internet access.
"Kbit/s" or "Kb/s"	Kilobits per second.
"LAN" or "local area network"	a short distance data network used to link together computers through a main control centre, enabling access to a centralised database.
"LTE"	Long term evolution marketed as 4th generation services
"LLU"	Local Loop Unbundling
"LRIC"	Long Run Incremental Cost
"M2M"	Machine to Machine technology that involves data communication between devices or systems in which, at least in principle, human intervention is not part.
"MDM"	Mobile Device Management
"Mbits/s" or "Mb/s"	Megabits per second.
"MNO's"	Mobile Network Operators
"MPLS" or "Multiprotocol Label Switching"	an advanced protocol supporting virtual links within a data stream.
"Narrowband"	a network or circuit capacity of less than 64 bit/s.
"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.
"Number portability"	the ability of a customer to transfer from one telecom operator to another and retain their original number.
"OAO" or "Other Authorised Operators"	an authorised operator (other than eircom) which operates telecommunications systems.
"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.
"Partial private circuits"	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.
"POTS" or "plain old telephone service"	a version of "VUA" (see below for definition) that supports traditional voice services and is available for operators who are not yet providing voice as an internet application.'
"PSTN" or "public switched telephone network"	a domestic 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.
"Remote access"	a service that allows the customer to dial into the customer's network via the Internet.
"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.
"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, which is only available on digital 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.
"UMTS"	Universal Mobile Telecommunications Service – UMTS is a 3rd generation (3G) broadband, packet-based transmission of text, digitized voice, video and multimedia at data rates up to 2Mbps.
"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.
"VAS"	Value Added Services
"VDSL"	Very-high-bit Digital Subscriber Line
"Virtual private network"	a switched network with special services such as abbreviated dialling.
"VUA" or "Virtual Unbundled Access"	provide Ethernet access between customer premises and a local handoff point within the serving exchange. This enables operators to combine their own transport network with the eircom NGA network to deliver high speed advanced services to their consumer and business customers
"VoIP" or "Voice over Internet Protocol"	a telephone service carried over the internet, or over private IP networks, which can be typically accessed using a computer, a sound card and appropriate software and modem.
"White Label"	a wholesale service provided to switchless resellers where the service is delivered entirely on eircom's network and the reseller provides only customer functions such as sales, marketing and billing.

15. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF EHIL FOR THE YEAR ENDED JUNE 30, 2015

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 state of the group's affairs as at 30 June 2015 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 comprise:

- the group balance sheet as at 30 June 2015;
- 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 giving 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

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 group's directors as a body in accordance with our engagement letter dated 14 May 2015 and updated on 3 June 2015 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 – financial statements

We draw your attention to the fact that these financial statements have not been prepared under section 391 of the Companies Act 2014 and are not the company's statutory group financial statements.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

27 August 2015

eircom Holdings (Ireland) Limited

Statement of Directors' Responsibilities for Financial Statements
For the Year Ended 30 June 2015

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 27 August 2015.

eircom Holdings (Ireland) Limited

Group income statement
For the Year Ended 30 June 2015

	Notes	Restated Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Revenue	6	1,267	**1,249**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	7	(809)	**(779)**
Amortisation	7, 13	(76)	**(53)**
Depreciation and impairment of property, plant & equipment	7, 14	(262)	**(264)**
Exceptional items	7, 8	(235)	**(31)**
Profit on disposal of property, plant and equipment	7, 9	3	**1**
Operating (loss)/profit		(112)	**123**
Finance costs	10 (a)	(223)	**(227)**
Finance income	10 (b)	1	**-**
Finance costs – net	10	(222)	**(227)**
Share of profit of investments accounted for using the equity method		1	**1**
Loss before tax		(333)	**(103)**
Income tax credit	11	24	**8**
Loss for the financial year attributable to equity holders	29	(309)	**(95)**

Group statement of comprehensive income
For the Year Ended 30 June 2015

	Notes	Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Loss for the financial year attributable to equity holders	29	(309)	**(95)**
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Defined benefit pension scheme actuarial gains/(losses):			
- Actuarial gain/(loss) in year	34	527	**(27)**
- Tax on defined benefit pension scheme actuarial (gains)/losses	16, 25	(66)	**3**
		461	**(24)**
Items that may be reclassified subsequently to profit or loss			
Net changes in cash flow hedge reserve:			
- Fair value (loss)/gain in year	29	(6)	**1**
- Tax on cash flow hedge movements	29	1	**-**
Currency translation differences	29	1	**1**
		(4)	**2**
Other comprehensive income/(expense), net of tax		457	**(22)**
Total comprehensive income/(expense) for the financial year attributable to equity holders	29	148	**(117)**

The accompanying notes form an integral part of the financial statements.

eircom Holdings (Ireland) Limited

Group balance sheet
As at 30 June 2015

	Notes	Restated 1 July 2013 €m	Restated 30 June 2014 €m	30 June 2015 €m
ASSETS				
Non-current assets				
Goodwill	12	192	192	**192**
Other intangible assets	13	460	447	**435**
Property, plant and equipment	14	1,556	1,557	**1,527**
Investments	15	-	1	**2**
Derivative financial instruments	24	4	-	**1**
Deferred tax asset	16	3	6	**6**
Other assets	17	5	1	**15**
		2,220	2,204	**2,178**
Current assets				
Inventories	18	12	12	**9**
Trade and other receivables	19	222	215	**232**
Derivative financial instruments	24	1	-	**-**
Restricted cash	20	22	14	**8**
Cash and cash equivalents	21	319	193	**186**
		576	434	**435**
Total assets		2,796	2,638	**2,613**
LIABILITIES				
Non-current liabilities				
Borrowings	23	1,959	2,031	**2,106**
Derivative financial instruments	24	-	-	**2**
Trade and other payables	27	170	159	**152**
Deferred tax liabilities	25	-	53	**46**
Retirement benefit liability	34	836	391	**426**
Provisions for other liabilities and charges	26	131	109	**101**
		3,096	2,743	**2,833**
Current liabilities				
Derivative financial instruments	24	-	1	**2**
Trade and other payables	27	441	456	**461**
Current tax liabilities		21	16	**12**
Provisions for other liabilities and charges	26	42	69	**32**
		504	542	**507**
Total liabilities		3,600	3,285	**3,340**
EQUITY				
Equity share capital	28, 29	-	-	**-**
Capital contribution	29	-	9	**47**
Cash flow hedging reserve	29	4	(1)	**-**
Retained loss	29	(808)	(655)	**(774)**
Total equity	29	(804)	(647)	**(727)**
Total liabilities and equity		2,796	2,638	**2,613**

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 2015

	Notes	Restated Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Cash flows from operating activities			
Cash generated from operations	30	271	**423**
Interest received		1	**-**
Interest paid		(104)	**(128)**
Income tax refund		3	**-**
Net cash generated from operating activities		171	**295**
Cash flows from investing activities			
Disposal of associate undertaking		1	**-**
Purchase of property, plant and equipment ("PPE")		(230)	**(249)**
Purchase of intangible assets		(66)	**(43)**
Proceeds from sale of PPE and other intangible assets		3	**6**
Restricted cash		8	**6**
Loan advanced to holding company		-	**(14)**
Net cash used in investing activities		(284)	**(294)**
Cash flows from financing activities			
Dividends paid to equity shareholders		-	**(1)**
Repayment on borrowings		-	**(238)**
Proceeds from loan borrowings		-	**238**
Amend and extend fees paid		(13)	**(7)**
Net cash used in financing activities		(13)	**(8)**
Net decrease in cash, cash equivalents and bank overdrafts		(126)	**(7)**
Cash and cash equivalents and bank overdrafts at beginning of financial year		319	**193**
Cash, cash equivalents and bank overdrafts at end of financial year	21	193	**186**

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 2015

	Notes	Total Equity €m
Balance at 1 July 2013	29	(804)
Total comprehensive income for the financial year	29	148
Capital contribution in respect of management incentive plan ('MIP') equity value event	29	9
Balance at 30 June 2014	29	(647)
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)**

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, after the balance sheet date, the assets and liabilities of eircom Limited were transferred to a newly formed fellow subsidiary, eircom Limited (Irish Branch), a company incorporated in Jersey, in the context of an internal corporate reorganisation.

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 2015 include liabilities in respect of borrowings which are measured at amortised cost including the unamortised fair value difference on borrowings of €235 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 covenants which are required to be tested on an annual basis and the cash flow before net debt service to net debt service covenant which is effective from 30 September 2015. The covenant tests have been met for the year ended 30 June 2015. 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 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 2015
The group adopted IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint Arrangements' and IFRS 12, 'Disclosure of Interests in Other Entities' and amendments to IAS 28, 'Investments in Associates and Joint Ventures' during the year. IFRS 11, 'Joint Arrangements' requires interests in jointly controlled entities to be recorded using the equity method. Under IFRS 11, the group's investment in Tetra has been classified as a joint venture and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11, the group's interest in Tetra was proportionately consolidated. See Note 40 for the impact on the financial statements.

The mandatory adoption of other new and amended standards has had no 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. There were no acquisitions in the two years to 30 June 2015.

(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.

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)	Indefinite
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).

An indefinite useful life has been attributed to the Trademark (Fixed) as a result of its prominence and the greater public's awareness of the Trademark in Ireland. The Directors expect to continue to use, develop and build upon the Trademark for the purposes of the group's Fixed Line operations for the foreseeable future, and to maintain the Trademark's distinction and appeal through a continuation of advertising and marketing campaigns.

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, mobile handset promotions and the cost of data modems 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. Accounting policies – continued

3.14. Impairment of non financial assets – group
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.

3.15. Leased assets
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.

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. The group also currently provides modems free of charge to customers in connection with broadband service contracts. As the mobile handset subsidy and modem costs are part of the group's strategy for acquiring new customers and retaining existing customers, the loss on the sale of mobile handsets and the cost of providing modems to customers are 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. 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.

As set out in Note 23, 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 now 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 maturity date of the remaining non-extending Facility B2 borrowings of €159 million is unchanged at 30 September 2019. 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.

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 2014.

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 €1,787 million in respect of the group's borrowings under the Senior Credit Facilities Agreement in non-current liabilities as at 30 June 2015. The actual non-current liability in respect of these borrowings at 30 June 2015 is €2,022 million. The difference of €235 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.

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 2016, 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 €72 million at 30 June 2015. The current liabilities at that date include deferred revenue of €105 million. There is no cash outflow requirement associated with deferred revenue.

4. Financial risk management – continued

4.1. Liquidity risk – continued

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 2015	**-**	**-**	**509**	**1,863**	**2,372**
- At 30 June 2014 (restated)	-	-	108	2,263	2,371
Interest on borrowings					
- At 30 June 2015	**125**	**124**	**369**	**163**	**781**
- At 30 June 2014	127	128	379	60	694
Derivative financial instruments					
- At 30 June 2015	**2**	**2**	**-**	**-**	**4**
- At 30 June 2014	1	-	-	-	1
Trade and other payables					
- At 30 June 2015	**301**	**8**	**23**	**16**	**348**
- At 30 June 2014 (restated)	302	4	23	24	353
TIS annuity scheme					
- At 30 June 2015	**6**	**5**	**9**	**3**	**23**
- At 30 June 2014	9	7	11	5	32

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 2015	**28**	**15**	**7**	**21**	**80**	**22**	**173**
- at 30 June 2014 (restated)	21	14	8	22	81	25	171

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 €2 million (30 June 2014: €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.

	Restated 30 June 2014 €m	**30 June 2015 €m**
Cash and cash equivalents		
AAA	25	-
AA-	14	-
A+	42	-
A	66	-
BBB+	1	-
BBB-	-	**3**
BB+	10	**183**
BB	35	-
	193	**186**

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, 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. These new swaps replaced the previous three year swaps which expired on 11 June 2015. However, during the year the group also effected a further 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, 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 2014 (Restated)		**30 June 2015**	
	Weighted average Interest rate %	**Balance €m**	**Weighted average Interest rate %**	**Balance €m**
Cash and cash equivalents	0.16%	193	**-**	**186**
Bank borrowings (Facility B1)	4.26%	(108)	**-**	**-**
Bank borrowings (Facility B2)	4.76%	(1,913)	**4.50%**	**(159)**
Bank borrowings (Facility B3)	-	-	**4.50%**	**(1,863)**
Interest rate swaps (Notional principal amount)		1,200		**1,200**
Net exposure to interest rate risk		(628)		**(636)**

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 2015 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 2015	**1,200**	**(3)**	**0.099%**	**-**	**-**	**1,200**	**-**	**-**	**-**
- at 30 June 2014	-	-	-	-	-	-	-	-	-

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, 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 B2 and B3 borrowings. These new swaps replaced the previous three year swaps which expired on 11 June 2015.

On 11 June 2015, the group effected a further 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 €2 million. These amounts have been classified in the income statement within 'finance costs'.

Derivatives designated and eligible for hedge accounting

As at 30 June 2014, the group had a number of swaps to cover interest rate exposure on various debt obligations. In accordance with IAS 39: "Financial Instruments – Recognition and Measurement", these instruments had been designated as cash flow hedges and movements in the effective portion of the fair value of the hedges have been taken through the cash flow hedge reserve.

				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**
Designated active interest rate swap									
- at 30 June 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- at 30 June 2014	1,200	(1)	0.252%	1,200	-	-	-	-	-

Interest rate swaps – cash flow hedges

The effective interest rates in the table above are based on the effective interest rates in the derivative financial instruments designated for cash flow hedging. 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 B2 and B3 borrowings.

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. Given the recent market volatility there is a risk that the WACC could increase significantly in future periods. 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 2015 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. 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 2015.

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 over the next three years 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 relating to relocations and other business disposals. 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 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, 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. See Note 40 for further details.*

6. Segment information – continued

The segment results for the year ended 30 June 2014 (restated) are as follows:

	Fixed line €m	Mobile €m	Inter-segment €m	Reported[2] €m	IFRS 11 €m	Published[2] €m
Revenue	980	347	(44)	1,283	(16)	1,267
Adjusted EBITDA [1]	433	36	-	469	(9)	460
Non-cash lease contracts	8	-	-	8	-	8
Non-cash pension charge	(10)	-	-	(10)	-	(10)
Amortisation	(47)	(29)	-	(76)	-	(76)
Depreciation	(250)	(19)	-	(269)	7	(262)
Exceptional items (Note 8)	(235)	-	-	(235)	-	(235)
Profit on disposal of PPE	3	-	-	3	-	3
Operating loss	(98)	(12)	-	(110)	(2)	(112)
Finance costs				(224)	1	(223)
Finance income				1	-	1
Share of profit of investments accounted for using the equity method				-	1	1
Loss before income tax				(333)	-	(333)
Income tax credit				24	-	24
Loss for the financial year				(309)	-	(309)

[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. See Note 40 for further details.*

Other segment items included in the income statement are as follows:

	Year ended 30 June 2014			Year ended 30 June 2015		
	Fixed line €m	Mobile €m	Group €m	Fixed line €m	Mobile €m	Group €m
Impairment of trade receivables (Note 19)	7	3	10	**9**	**2**	**11**
Reversal of trade receivable impairments (Note 19)	-	-	-	**(1)**	**-**	**(1)**

6. Segment information – continued

The segment assets and liabilities and capital expenditure are as follows:

	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**

	30 June 2014 (Restated)			
	Fixed line €m	**Mobile €m**	**Unallocated €m**	**Group €m**
Assets	2,271	361	6	2,638
Liabilities	1,000	174	2,111	3,285
Capital expenditure:				
Intangible assets (Note 13)	48	15	-	63
Property, plant and equipment (Note 14)	213	49	-	262

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 €1,249 million (30 June 2014: €1,267 million) of which €1,210 million (30 June 2014: €1,229 million) was earned by group entities operating in the Republic of Ireland and €39 million (30 June 2014: €38 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 €2,169 million (30 June 2014: €2,197 million), of which €2,159 million were located in the Republic of Ireland (30 June 2014: €2,188 million) and €10 million were located in the United Kingdom (30 June 2014: €9 million).

7. Operating costs

	Restated Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Staff costs:		
Wages and salaries	271	**242**
Social insurance costs	13	**12**
Pension costs – defined contribution plans (Note 34)	4	**4**
Pension costs – defined benefit plans (Note 34)	29	**26**
	317	**284**
Staff costs capitalised	(78)	**(73)**
Net staff costs included in operating costs (a)	239	**211**
Other operating costs:		
Amounts paid and payable to telecommunications operators	122	**128**
Purchase of goods for resale, commission and related costs	137	**143**
Materials and services	13	**10**
Other network costs	11	**12**
Accommodation	101	**101**
Sales and marketing	77	**72**
Customer services	42	**40**
Transport and travel	14	**12**
IT costs	24	**23**
Provision for impaired receivables	9	**10**
Other costs	20	**17**
Total other operating costs	570	**568**
Operating costs excluding amortisation, depreciation, impairment and restructuring and other exceptional items	809	**779**
Amortisation (Note 13)	76	**53**
Depreciation and impairment of property, plant & equipment (Note 14)	262	**264**
Exceptional items (Note 8)	235	**31**
Total operating costs	1,382	**1,127**
Profit on disposal of property, plant and equipment (Note 9)	(3)	**(1)**
Total operating costs (net)	1,379	**1,126**

(a) Operating costs are stated after charging:

	Restated Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Staff costs	317	**284**
Exceptional restructuring programme costs (Note 8)	200	**-**
Exceptional management incentive plan (Note 8)	29	**12**
Total staff costs	546	**296**
Staff costs capitalised	(78)	**(73)**
Total staff costs (net of staff costs capitalised)	468	**223**
Research costs	1	**1**
Hire of plant and machinery	3	**3**
Other operating lease rentals	51	**52**

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 2014 €m	Year ended 30 June 2015 €m
Statutory audit of group financial statements	0.8	**0.7**
Other assurance services	1.1	**1.7**
Tax advisory services	0.1	**-**
Other non-audit services	0.7	**1.3**
Total services	2.7	**3.7**

(c) **Directors remuneration**

	Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Emoluments	2.5	**1.7**
Benefits under long term incentive schemes	-	**0.6**
Contributions to retirement benefits schemes:		
- defined contributions	0.2	**0.1**
Compensation for loss of office and other termination payments	-	**9.8**
	2.7	**12.2**

As of 30 June 2015, retirement benefits are accruing to 1 director (30 June 2014: 2 directors) 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 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 2014 €m	Year ended 30 June 2015 €m
Restructuring programme costs (a)	200	**-**
Management incentive plan (b)	29	**12**
Strategic review costs (c)	-	**14**
Other exceptional items (d)	6	**5**
Exceptional charge	235	**31**

(a) Restructuring programme costs
The group included an exceptional charge of €200 million for restructuring programme costs in respect of staff exits in the year ended 30 June 2014. The exceptional charge of €200 million relates to approximately 1,100 staff who had either exited the business, or were committed to exiting the business. No provision has been included in respect of future staff exits not committed at 30 June 2015, and any further costs will be charged to the income statement and impact cash flows in future periods.

The charge of €200 million at 30 June 2014 includes an IAS 19 (Revised) defined benefit pension charge of €57 million arising as a result of the incentivised exit programme, comprising €36 million in past service costs and €21 million in curtailment charges.

(b) Management incentive plan
The management incentive plan ("MIP") was 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. 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"). 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 (30 June 2014: €20 million) in its income statement 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. No provision is recorded on the balance sheet as at 30 June 2015 (30 June 2014: €26 million).

Separately, the group also recognised a charge of €11 million (30 June 2014: €9 million) in its income statement, with a corresponding decrease 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) Strategic review costs
The group recognised an exceptional charge of €14 million in respect of strategic review costs in the period ended 30 June 2015.

(d) Other exceptional items
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.

During the year ended 30 June 2014, the group recognised an exceptional charge of €10 million in respect of certain legal matters, €1 million for an impairment of a receivable from a former holding company of eircom Limited, the group's main operating subsidiary, and €1 million for financial restructuring costs. These were offset by a €3 million release of excess provisions relating to the St. Stephen's Green onerous lease contracts and an additional €3 million release of excess provisions in respect of certain legal matters carried forward from prior years.

9. Profit on disposal of property, plant and equipment

	Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Profit on disposal of property, plant and equipment	3	**1**
	3	**1**

10. Finance costs - net

	Restated Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
(a) Finance costs:		
Interest payable on bank loans and other debts	105	**127**
Payment-in-kind ("PIK") interest charge on borrowings	16	**1**
Interest amortisation on non-current borrowings	69	**50**
Net interest cost on net pension liability	29	**11**
Capitalised interest on property, plant and equipment	(3)	**(1)**
Amortisation of debt issue costs on bank loans and amend and extend fees	2	**3**
Other unwinding of discount	5	**2**
Fair value movements on derivatives not qualifying for hedge accounting	-	**2**
	223	**195**
Loss on extinguishment of debt	-	**32**
	223	**227**
(b) Finance income:		
Interest income	(1)	**-**
	(1)	**-**
Finance costs – net	222	**227**

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. See Note 23 for further information.

11. Income tax credit

	Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
(a) **Recognised in the income statement**		
Current tax expense		
Current financial period	(9)	**9**
Adjustments for prior periods	-	**(14)**
	(9)	**(5)**
Deferred tax expense		
Origination and reversal of temporary difference	(19)	**(3)**
Adjustments for prior periods	4	**-**
	(15)	**(3)**
Total income tax credit in income statement	(24)	**(8)**

The €14 million adjustment for prior periods recognised during the year ended 30 June 2015 mainly relates to a release of a prior year revenue audit provision as a result of a recent tax settlement with Revenue.

The tax credit for the year ended 30 June 2015 includes a credit of €1 million (30 June 2014: €24 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 2014 €m	Year ended 30 June 2015 €m
Loss before tax	(333)	**(103)**
Tax calculated at Irish tax rates	(42)	**(13)**
Effects of:-		
Non deductible expenses	14	**19**
Income taxable at higher rate	1	**1**
Utilisation of losses carried forward	(1)	**(1)**
Adjustments in respect of prior periods	4	**(14)**
Tax credit for financial period (Note 11(a))	(24)	**(8)**

The weighted average applicable tax rate was 12.5% (30 June 2014: 12.5%).

12. Goodwill

	30 June 2014 €m	30 June 2015 €m
Cost		
At beginning of financial period	734	**734**
At end of financial period	734	**734**
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	**192**

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.

The group's goodwill 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.

An impairment test of the Fixed Line CGU was performed as of 30 June 2014. No impairment was identified.

An impairment test of the Fixed Line CGU has been undertaken as of 30 June 2015. 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 2015 may cause a further impairment loss to be recognised in future periods.

Impairment test of Fixed Line CGU as at 30 June 2015
An impairment test of the Fixed Line CGU was performed as at 30 June 2015 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 2015 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.

12. Goodwill - continued

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 2015 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 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.

At 30 June 2014, 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 2019.

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 2014	**Mobile 30 June 2014**	**Fixed Line 30 June 2015**	**Mobile 30 June 2015**
Long-term growth rates	-0.75%	N/A	**-0.75%**	**N/A**
Discount rates (Post-tax)	8.00%	N/A	**7.16%**	**N/A**
Budgeted EBITDA[1]	-5.35%	N/A	**-2.81%**	**N/A**
Budgeted capital expenditure[2]	14%-18%	N/A	**14%-25%**	**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.

12. Goodwill - continued

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 2015, 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. Year-on-year, the discount rates used have decreased primarily as a result of reductions in the yields on long term sovereign bonds, as well as the continued stabilisation in the Irish macroeconomic environment.

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 2015	
	Fixed Line	**Mobile**
	%	**%**
Discount rates (post-tax) (absolute increase)	**3.61%**	**-**
Long-term growth rates (absolute decrease)	**5.36%**	**-**
Terminal business plan EBITDA (relative decrease)	**18.68%**	**-**
Terminal capital expenditure (relative increase)	**62.47%**	**-**

13. Other intangible assets

	Computer software €m	Trademarks €m	Contracts and related customer relationships €m	Licence €m	Total €m
Cost					
At 30 June 2013	162	127	47	195	531
Additions	63	-	-	-	63
At 30 June 2014	225	127	47	195	594
Additions	**41**	**-**	**-**	**-**	**41**
At 30 June 2015	**266**	**127**	**47**	**195**	**635**
Amortisation					
At 30 June 2013	37	-	25	9	71
Charge for the financial year	39	-	22	15	76
At 30 June 2014	76	-	47	24	147
Charge for the financial year	**41**	**-**	**-**	**12**	**53**
At 30 June 2015	**117**	**-**	**47**	**36**	**200**
Net Book Value at 30 June 2015	**149**	**127**	**-**	**159**	**435**
Net Book Value at 30 June 2014	149	127	-	171	447

Assets in the course of completion and other intangible assets not yet available for use included in other intangibles assets are €37 million (30 June 2014: €32 million).

Computer software relates to internal and external capitalised software development costs.

Trademark (Fixed) which have an indefinite life are tested for impairment as part of the fixed line CGU. See Note 12.

14. Property, plant and equipment ("PPE")

	Land and Buildings €m	Network, Plant And Equipment €m	Total €m
Cost			
At 30 June 2013 (as previously reported)	258	1,609	1,867
Effect of changes in accounting policies	-	(51)	(51)
Balance at 1 July 2013 (restated)	258	1,558	1,816
Additions	4	258	262
Exchange adjustments	-	1	1
Disposals/retirements	-	(1)	(1)
At 30 June 2014 (restated)	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**
Accumulated Depreciation			
At 30 June 2013 (as previously reported)	23	260	283
Effect of changes in accounting policies	-	(23)	(23)
Balance at 1 July 2013 (restated)	23	237	260
Charge for financial year	19	241	260
Disposals/retirements	-	(1)	(1)
Impairments	2	-	2
At 30 June 2014 (restated)	44	477	521
Charge for financial year	**19**	**245**	**264**
Disposals/retirements	**(2)**	**(1)**	**(3)**
At 30 June 2015	**61**	**721**	**782**
Net Book Value at 30 June 2015	**196**	**1,331**	**1,527**
Net Book Value at 30 June 2014 (restated)	218	1,339	1,557

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 2015 and 30 June 2014 resulted in no material adjustments to asset lives.

The group has capitalised interest costs of €1 million (30 June 2014: €3 million) that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest at 30 June 2015 is 8.03% (30 June 2014: 9.15%).

Assets in the course of construction included in property, plant and equipment are €131 million (30 June 2014: €127 million).

15. Investments

(a) Investments in Joint ventures

At 30 June 2015, 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 2014 €m	Year ended 30 June 2015 €m
Revenue	34	**34**
Operating costs excluding depreciation	(18)	**(18)**
Depreciation	(13)	**(13)**
Operating profit	3	**3**
Finance costs – net	(1)	**(1)**
Profit before tax	2	**2**
Income tax charge	-	**-**
Profit for the financial year	2	**2**

	Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Profit for the financial year	2	**2**
Other comprehensive income	-	**-**
Total comprehensive income for the financial year	2	**2**

	30 June 2014 €m	30 June 2015 €m
ASSETS		
Non-current assets	39	**26**
Current assets	22	**22**
Total assets	61	**48**
LIABILITIES		
Non-current liabilities	23	**6**
Current liabilities	36	**38**
Total liabilities	59	**44**
EQUITY		
Total equity	2	**4**
Total equity	2	**4**
Total liabilities and equity	61	**48**

(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 2015					
Altion Limited	-	-	1	-	31.3%
As at and for the year ended 30 June 2014					
Altion Limited	-	-	-	-	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 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**

	Assets 30 June 2014 €m	Liabilities 30 June 2014 €m	Net 30 June 2014 €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 2015 is as follows:

	1 July 2014 €m	Reclass to deferred tax liabilities (Note 25) €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**

The movement in deferred tax assets during the year ended 30 June 2014 is as follows:

	Restated 1 July 2013 €m	Reclass to deferred tax liabilities (Note 25) €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2014 €m
Tax loss carry forward	-	-	5	-	5
Intangibles	(24)	24	-	-	-
Property, plant and equipment	(97)	97	1	-	1
Deferred revenues	2	(2)	-	-	-
Leases	17	(17)	-	-	-
Provisions	2	(2)	-	-	-
Pensions	104	(104)	-	-	-
Derivative financial instruments	(1)	1	-	-	-
	3	**(3)**	**6**	**-**	**6**

17. Other assets

	30 June 2014 €m	30 June 2015 €m
Deposits and other non-current assets	1	**1**
Loan advanced to holding company	-	**14**
	1	**15**

During the year, 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 2014 €m	30 June 2015 €m
Network development and maintenance stocks	8	**6**
Consumable and other stocks	4	**3**
	12	**9**

The cost of inventories recognised as an expense and included in "operating costs" amounted to €94 million (30 June 2014: €103 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2015, the group recognised a loss for impaired inventories of €Nil (30 June 2014: €Nil), reversed previous recognised impaired inventories of €Nil (30 June 2014: €Nil), and utilised provisions for impaired inventories of €Nil (30 June 2014: €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

	Restated 30 June 2014 €m	30 June 2015 €m
Current assets:		
Trade receivables	168	**173**
Less: Provision for impairment of trade receivables	(21)	**(22)**
Trade receivables – net	147	**151**
Prepayments and accrued income	61	**73**
Other current assets	2	**3**
Amounts due from joint ventures	5	**5**
	215	**232**

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 2015, trade receivables of €22 million (30 June 2014: €22 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered. Provisions for impaired receivables of €27 million were incorporated in determining the fair value of trade receivables arising on the acquisition of eircom Limited on 11 June 2012; the fair value adjustment for provisions for impaired receivables has now been fully utilised (30 June 2014: €3 million).

Total additional provisions of €11 million (30 June 2014: €10 million) relate to individual impairments of €1 million (30 June 2014: €1 million) and collective impairments of €10 million (30 June 2014: €9 million). Total reversals of unused provisions of €1 million (30 June 2014: €Nil) relate to individual impairments of €1 million (30 June 2014: €Nil) and collective impairments of €Nil (30 June 2014: €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 2014 €m	30 June 2015 €m
At beginning of financial period	11	**21**
Charged to income statement:		
- Additional provisions	10	**11**
- Unused amounts reversed	-	**(1)**
Utilised in the financial year	-	**(9)**
At end of financial period	21	**22**

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 €8 million (30 June 2014: €14 million) is in relation to cash lodged for performance guarantees of €6 million (30 June 2014: €12 million) and €2 million (30 June 2014: €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 2015, these include €3 million (30 June 2014: €4 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 2014: €5 million) in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO") and €Nil (30 June 2014: €3 million) in relation to other obligations under certain commercial contracts.

The maximum exposure to credit risk at the reporting date is €8 million (30 June 2014: €14 million).

21. Cash and cash equivalents

	Restated 30 June 2014 €m	30 June 2015 €m
Cash at bank and on hand	42	**186**
Short-term bank deposits	151	**-**
Cash and cash equivalents	193	**186**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2014, the effective interest rate on short term bank deposits was 0.16%. These deposits had a weighted average maturity of 14 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 €m	Loans and receivables €m	Total €m
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**
Trade receivables	-	147	147
Other current assets	-	2	2
Amounts due from joint ventures	-	5	5
Restricted cash	-	14	14
Cash and cash equivalents	-	193	193
At 30 June 2014 (Restated)	-	361	361

Liabilities as per balance sheet	Liabilities at fair value through profit or loss €m	Loans and other liabilities €m	Total €m
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**
Borrowings	-	2,031	2,031
Derivative financial instruments	1	-	1
Trade payables	-	129	129
Interest payable	-	9	9
Accruals	-	215	215
TIS Liabilities	-	32	32
At 30 June 2014 (Restated)	1	2,416	2,417

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	**-**	**1**	**-**	**1**
At 30 June 2015	**-**	**-**	**-**	**1**
Derivative financial instruments	-	-	-	-
At 30 June 2014	**-**	**-**	**-**	**-**

Financial liabilities held at fair value	**Level 1 €m**	**Level 2 €m**	**Level 3 €m**	**Total €m**
Derivative financial instruments	**-**	**4**	**-**	**4**
At 30 June 2015	**-**	**4**	**-**	**4**
Derivative financial instruments	-	1	-	1
At 30 June 2014	**-**	1	**-**	1

23. Borrowings

	Carrying Value		Fair Value	
	Restated 30 June 2014 €m	**30 June 2015 €m**	**Restated 30 June 2014 €m**	**30 June 2015 €m**
Non-current liabilities				
Bank borrowings (Facility B1/B2/B3)	2,021	**2,022**	1,986	**1,992**
Unamortised fair value difference on borrowings	(315)	**(235)**	-	**-**
Amend and extend fees	(14)	**(22)**	-	**-**
	1,692	**1,765**	1,986	**1,992**
9.25% Senior Secured Notes due 2020	350	**350**	397	**383**
Debt issue costs	(11)	**(9)**	-	**-**
	339	**341**	397	**383**
Total Borrowings	2,031	**2,106**	2,383	**2,375**

Bank borrowings (Facility B1, B2 & B3)
At 30 June 2015, the group has Senior Bank borrowings of €2,022 million with a maturity date of 30 September 2019 for Facility B2 borrowings of €159 million and a maturity date of 31 May 2022 for Facility B3 borrowings of €1,863 million. 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.

During the year ended 30 June 2013, the group undertook a permitted bond refinancing. In accordance with the terms of the Senior Facilities Agreement, €339 million of the net proceeds 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, with an equivalent reduction in the group's borrowings under the Senior Facilities Agreement.

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 now 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 maturity date of the remaining non-extending Facility B2 borrowings of €159 million is unchanged at 30 September 2019. 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.

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 was 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 amendment and extension of the existing Senior Bank borrowings on 11 June 2015 has been accounted for as a modification of the existing financial liability for the Facility B borrowings under IAS 39. The remaining unamortised amount at 30 June 2015 was €235 million.

23. Borrowings – continued

Senior Secured Notes
During the year ended 30 June 2013, the group issued €350 million in Senior Secured Notes, due for repayment in full on 15 May 2020. The Notes were issued by the group's wholly owned subsidiary, eircom Finance Limited. 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 9.25% payable in semi-annual instalments in May and November each year. Total costs directly attributable to the transaction incurred by the group were €12 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)	**-**	**-**	**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**
Bank borrowings (Facility B)	-	-	108	1,913	2,021
Unamortised fair value difference on borrowings	-	-	(17)	(298)	(315)
Amend and extend fees	-	-	-	(14)	(14)
	-	-	91	1,601	1,692
9.25% Senior Secured Notes due 2020	-	-	-	350	350
Debt issue costs	-	-	-	(11)	(11)
	-	-	-	339	339
At 30 June 2014 (Restated)	-	-	91	1,940	2,031

Borrowing facilities
The Senior Facilities Agreement entered into in June 2012 includes provision to allow the group to seek a revolving credit facility of €150 million in the markets. At the date of signing of these financial statements, there is no revolving credit facility in place and there are no current plans to obtain any revolving credit facilities.

Currency
All of the group's borrowings are denominated in euro.

24. Derivative financial instruments

	Carrying Amount		Fair Value	
	30 June 2014	**30 June 2015**	**30 June 2014**	**30 June 2015**
	€m	**€m**	**€m**	**€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**	-	**2**
Current liabilities				
Interest rate swaps – cash flow hedges	1	**-**	1	**-**
Interest rate swaps – ineligible for hedge accounting	-	**2**	-	**2**
Total liabilities	1	**4**	1	**4**

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 new 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.

Subsequently, on 11 June 2015, the group effected a further 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, and any future changes in the fair value of these derivatives will be 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 €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. The group has no material unrecognised deferred tax assets at 30 June 2015.

Recognised net deferred tax liabilities

Net deferred tax liabilities are attributable to the following:

	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)**

	Assets 30 June 2014 €m	Liabilities 30 June 2014 €m	Net 30 June 2014 €m
Intangibles	-	(20)	(20)
Property, plant and equipment	-	(101)	(101)
Deferred revenues	1	-	1
Leases	15	-	15
Provisions	3	-	3
Pensions	49	-	49
	68	(121)	(53)

The movement in net deferred tax liabilities during the year ended 30 June 2015 is as follows:

	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)**

The movement in net deferred tax liabilities during the year ended 30 June 2014 is as follows:

	1 July 2013 €m	Reclass from deferred tax asset (Note 16) €m	Recognised in income credit/(charge) €m	Recognised in other comprehensive income €m	30 June 2014 €m
Intangibles	-	(24)	4	-	(20)
Property, plant and equipment	-	(97)	(4)	-	(101)
Deferred revenues	-	2	(1)	-	1
Leases	-	17	(2)	-	15
Provisions	-	2	1	-	3
Pensions	-	104	11	(66)	49
Derivative financial instruments	-	(1)	-	1	-
	-	3	9	(65)	(53)

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
At 30 June 2013 (as previously reported)	**42**	**31**	**51**	**6**	**46**	**176**
Effect of changes in accounting policies	-	-	(3)	-	-	**(3)**
Balance at 1 July 2013 (Restated)	**42**	**31**	**48**	**6**	**46**	**173**
Charged to consolidated income statement:						
- Additional provisions	-	-	-	20	13	**33**
- Unused amounts reversed	-	(3)	-	-	(4)	**(7)**
- Unwinding of discount	1	-	1	-	-	**2**
Transfers	-	-	(1)	-	1	**-**
Transfer to receivables	-	-	-	-	3	**3**
Increase in provision capitalised as asset retirement obligation	-	-	6	-	-	**6**
Utilised in the financial year	(11)	(15)	-	-	(6)	**(32)**
Balance at 1 July 2014 (Restated)	**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**

Provisions have been analysed between current and non-current as follows:

	Restated 30 June 2014 €m	30 June 2015 €m
Non-current	109	**101**
Current	69	**32**
	178	**133**

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 2015, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of seven years.

Onerous Contracts
The group has onerous contracts in relation to leases on vacant properties and leasehold disposals relating to relocations. 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 €0.3 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 2015, the liabilities are expected to be discharged over a period of one to three 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 2016 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.

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 2015, 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

	Restated 30 June 2014 €m	30 June 2015 €m
Non-current liabilities: -		
Unfavourable lease contracts arising on acquisition	111	**102**
Trade payables	48	**50**
	159	**152**
Current liabilities: -		
Unfavourable lease contracts arising on acquisition	10	**9**
Trade payables	87	**124**
Interest payable	9	**9**
Other tax and social insurance payable	38	**37**
Accruals	215	**177**
Deferred income	97	**105**
	456	**461**

The carrying amounts of trade payables are denominated in the following currencies:

	Restated 30 June 2014 €m	30 June 2015 €m
Euro	133	**170**
Sterling	1	**2**
US dollar	1	**2**
	135	**174**

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 2015 and 30 June 2014 is set out below:-

AS AT 30 JUNE 2015 AND 30 JUNE 2014

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 2015.

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 1 July 2013	-	-	4	(808)	(804)
Loss for the financial year	-	-	-	(309)	(309)
Defined benefit pension scheme actuarial gains	-	-	-	527	527
Tax on defined benefit pension scheme actuarial gains	-	-	-	(66)	(66)
Cash flow hedges:					
- Fair value loss in year	-	-	(6)	-	(6)
- Tax on cash flow hedge movements	-	-	1	-	1
Currency translation differences	-	-	-	1	1
Capital contribution in respect of MIP equity value event	-	9	-	-	9
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)**

30. Cash generated from operations

Reconciliation of consolidated operating profit to net cash inflow from operating activities:

a) Cash generated from operations

	Restated Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Loss after taxation	(309)	**(95)**
Addback:		
Income tax credit	(24)	**(8)**
Share of profit of joint venture	(1)	**(1)**
Finance costs – net	222	**227**
Operating (loss)/profit	(112)	**123**
Adjustments for:		
- Profit on disposal of property, plant and equipment	(3)	**(1)**
- Depreciation, amortisation and impairment of property, plant & equipment	338	**317**
- Non cash lease contracts	(8)	**(9)**
- Non cash retirement benefit charge	10	**11**
- Restructuring programme costs	200	**-**
- Other non cash exceptional items	35	**11**
- Other non cash movements in provisions	2	**1**
Cash flows relating to restructuring and provisions	(186)	**(56)**
Cash flows relating to construction contracts	-	**2**
Changes in working capital		
- Inventories	-	**3**
- Trade and other receivables	11	**(13)**
- Trade and other payables	(16)	**34**
Cash generated from operations	271	**423**

b) In the group cash flow statement, proceeds from sale of property, plant and equipment (PPE) comprise:

	Year ended 30 June 2014 €m	Year ended 30 June 2015 €m
Profit on disposal of property, plant and equipment	3	**1**
Deferred consideration on disposal of property	-	**(1)**
Net book value of PPE disposals (Note 14)	-	**6**
Proceeds from sale of PPE	3	**6**

31. Post Balance Sheet Events

On 1 July 2015, subsequent to the balance sheet date, 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 (Irish Branch), a company incorporated 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 is not expected to have any effect on the business or operations of the group.

There have been no other significant events affecting the group since the year ended 30 June 2015.

32. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2015	Business	Registered Office and Country of Incorporation
eircom Limited	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 Limited	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Irish Telecommunications Investments Limited	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 2015 and 30 June 2014 were as follows:-

	Year ended 30 June 2014	Year ended 30 June 2015
Fixed line		
Operations/Technical	2,624	**2,251**
Sales/Customer Support	748	**656**
Administration	256	**174**
Total	3,628	**3,081**
Mobile		
Operations/Technical	171	**172**
Sales/Customer Support	265	**217**
Administration	38	**28**
Total	474	**417**
Total fixed line and mobile	4,102	**3,498**

The total number of persons employed by the group as at 30 June 2015 and 30 June 2014 were as follows:-

	30 June 2014	30 June 2015
Fixed line		
Operations/Technical	2,331	**2,193**
Sales/Customer Support	663	**654**
Administration	191	**162**
Total	3,185	**3,009**
Mobile		
Operations/Technical	170	**162**
Sales/Customer Support	242	**194**
Administration	36	**26**
Total	448	**382**
Total fixed line and mobile	3,633	**3,391**

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 2014 €m	Year ended 30 June 2015 €m
Defined Benefit Schemes (the principal scheme)			
Operating costs – staff pension costs	7	29	**26**
Finance costs - net interest cost on net pension liability	10	29	**11**
Defined Benefit Schemes		58	**37**
Defined Contribution Schemes	7	4	**4**
Total		62	**41**

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 2015, 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; and
- The estimated expenses of winding up the scheme.

From 1 January 2016, in addition to the existing statutory liabilities, the Scheme will need to hold sufficient assets to cover a risk reserve. 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 has now been fully paid over as 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:

	Restated 30 June 2013 €m	30 June 2014 €m	30 June 2015 €m
Present value of funded obligations	3,918	3,940	**4,331**
Fair value of scheme assets	(3,082)	(3,549)	**(3,905)**
Liability recognised in the Balance Sheet	836	391	**426**

Reconciliation of defined benefit obligation	30 June 2014 €m	30 June 2015 €m
At beginning of financial period	3,918	**3,940**
Current service cost	28	**25**
Interest cost	139	**113**
Past service costs and curtailment losses	57	**-**
Remeasurements:		
- Loss/(gain) from change in demographic assumptions	(104)	**10**
- Loss from change in financial assumptions	177	**329**
- Experience loss/(gain)	(196)	**6**
Contributions by employees	10	**8**
Benefits paid	(89)	**(100)**
Total – Defined benefit obligation	3,940	**4,331**

Defined benefit obligation by member status	30 June 2014 €m	30 June 2015 €m
Actives	997	**1,138**
Vested deferreds	1,643	**1,637**
Retirees	1,300	**1,556**
Total – Defined benefit obligation	3,940	**4,331**

34. Pensions - continued

Reconciliation – Fair value of plan assets	**30 June 2014 €m**	**30 June 2015 €m**
At beginning of financial period	3,082	**3,549**
Interest income on plan assets	110	**102**
Administration costs	(1)	**(1)**
Remeasurements: Return on plan assets, excluding amounts included in interest income	404	**318**
Contributions paid by group	33	**29**
Contributions by employees	10	**8**
Benefits paid	(89)	**(100)**
Total – Fair value of plan assets	3,549	**3,905**

The components of the amounts recognised in the income statement are as follows:

	Year ended 30 June 2014 €m	**Year ended 30 June 2015 €m**
Current service cost	28	**25**
Administration costs	1	**1**
Interest on obligation	139	**113**
Interest income on plan assets	(110)	**(102)**
Total net charge included in the income statement	58	**37**
Actual return on scheme assets	513	**419**

The expected contribution level for the year ended 30 June 2015 for the defined benefit scheme is €13 million.

The weighted average duration of scheme liabilities at 30 June 2015 was estimated to be 18 years (30 June 2014: 16 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 has recognised a charge of €6 million in respect of the 2015 pension levy through other comprehensive income for the year ended 30 June 2015 (30 June 2014: €25 million).

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.

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 2015 in respect of the levy.

34. Pensions - continued

Pension scheme assets
The fair value of scheme assets as at 30 June 2015 was €3,905 million (30 June 2014: €3,549 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2014				30 June 2015			
	Quoted €m	Unquoted €m	Total €m	%	Quoted €m	Unquoted €m	Total €m	%
Equities & other assets	666	387	1,053	29%	**366**	**272**	**638**	**16%**
Bonds	1,974	225	2,199	62%	**2,251**	**467**	**2,718**	**70%**
Property	-	304	304	9%	**-**	**537**	**537**	**14%**
Cash	-	18	18	1%	**-**	**18**	**18**	**-**
Pension levy	-	(25)	(25)	(1%)	**-**	**(6)**	**(6)**	**-**
Total pension assets	2,640	909	3,549	100%	**2,617**	**1,288**	**3,905**	**100%**

Assumptions of actuarial calculations
The main financial assumptions used in the valuations were:

	At 30 June 2013	At 30 June 2014	At 30 June 2015
Rate of increase in salaries	1.90%(1)	1.50%(2)	1.50%(2)
Rate of increase in pensions in payment	1.90%(1)	1.50%(2)	1.50%(2)
Discount rate	3.60%	2.90%	2.40%
Inflation assumption	2.00%	1.80%	1.70%
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old male	88 years	88 years	88 years
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old female	90 years	89 years	90 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old male	91 years	91 years	91 years
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old female	92 years	92 years	93 years

(1) The assumptions at 30 June 2013 reflected the agreed freeze on pensionable pay up to 31 December 2013 and the imposition of a cap on the increases in pensionable pay thereafter to the lower of CPI, salary inflation or agreed fixed annual rates, as well as the group's expectation that no increase in pensionable pay will arise prior to 1 July 2014.

(2) The assumptions at 30 June 2014 and 30 June 2015 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	**(216)**
Rate of increase in salaries and pensions in payment	0.25% increase	**183**
Life expectancy	1 year increase	**100**

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 2015, 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:-

	Restated 30 June 2014		30 June 2015	
	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	2	-	**4**	**-**
Later than one year but no later than five years	14	1	**17**	**1**
Later than five years	23	-	**16**	**-**
	39	1	**37**	**1**

The total contracted payments due on operating leases are as follows:

	Restated 30 June 2014 €m	30 June 2015 €m
Payable:		
No later than one year	40	**38**
Later than one year but no later than five years	108	**102**
Later than five years	222	**213**
	370	**353**

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 2015, eircom Holdings (Ireland) limited and certain of its subsidiaries have guaranteed financial indebtedness for €2 billion of eircom Finco Sarl pursuant to the Senior Credit Facility of eircom Holdings (Ireland) Limited Group.

The Senior Credit Facility of the eircom Holdings (Ireland) Limited Group consists of a €2 billion term 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, Irish Telecommunications Investments Limited, 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, Meteor Ireland Holdings LLC, Irish Telecommunications Investments 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 €350 million of eircom Finance Limited, a subsidiary of the group, pursuant to the Senior Secured Notes issued in May 2013.

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 Limited 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, Meteor Ireland Holdings LLC, Irish Telecommunications Investments 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 Limited are secured by a second pledge over eircom Limited's shares of Tetra.

37. Contingent liabilities

Hearing loss claims
As of 30 June 2015, 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 seven of which have been discontinued. Of the ninety-four remaining claims, fifty-five have become prima facie statute barred, and therefore eircom consider these cases to be closed. Of the remaining cases, twenty-six individuals have issued but not served court proceedings alleging hearing loss, and thirteen sets of proceedings have been served and are active. eircom 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. We are currently awaiting copy Title Deeds from the State and eircom intends to raise a Notice for Further and Better Particulars once it has reviewed those Title Deeds.

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 2015, these include €3 million in respect of undertakings arising in relation to the roll out of our 3G network in Ireland, including achieving certain agreed milestones, and €3 million in respect of eircom's obligation under a Quality of Service Performance Improvement Programme under our Universal Service Obligations ("USO"). 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'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 have 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's part under each of these headings, eircom'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.

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 the interconnection agreement between the parties, 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 and an abuse of dominance, 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.

eircom'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. 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's part under each of these headings, eircom's Directors do not believe that these figures represent damages that would be properly recoverable from eircom Limited.

37. Other contingent liabilities - continued

Claims by Smart Telecom - continued
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's defence in December 2005. In December 2009, Smart Telecom went into liquidation.

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 €45 million at 30 June 2015 (30 June 2014: €45 million). These amounts have been approved by the Board.

Network share agreement with Three
Three and the group have signed a new network sharing agreement, fulfilling one of the commitments Three entered into as part of receiving EU Commission approval for its acquisition of O2 in Ireland in 2014. This partnership strengthens the existing network sharing agreement that had been in place between O2 and the group since 2011.

The new agreement will run to 2030 and commits funding to create a shared network of over 2000 sites within the next three years. 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 2014 €m	Year ended 30 June 2015 €m
Salaries and other short-term employee benefits	7.8	**5.9**
Other long-term employee benefits	20.8	**1.0**
Post-employment benefits	0.6	**0.2**
	29.2	**7.1**
Termination benefits	1.3	**9.9**
Share based payments	8.6	**11.2**
	39.1	**28.2**

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 SA, 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 as a result is required to be re-measured at each reporting date 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. The implementation of the management incentive plan amendments approved by shareholders on 8 December 2014 and the transactions envisaged pursuant to those amendments to be completed by 8 October 2015 were completed during the quarter ended 30 June 2015. 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 2.67 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 (30 June 2014: €20 million) in its income statement. 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. No provision is recorded on the balance sheet as at 30 June 2015 (30 June 2014: €26 million). The conversion of the previously held MIP instruments gave the participants equal value before and after modification.

Separately, the group also recognised a charge of €11 million (30 June 2014: €9 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. This charge reflects the original equity settled instrument and the instruments converted to equity in the current year. A resulting cumulative capital contribution of €47 million is recorded on the balance sheet as at 30 June 2015 (30 June 2014: €9 million).

b) Other related parties transactions

During the year ended 30 June 2015, the group advanced a loan of €14 million to 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. The amount outstanding at 30 June 2015 is €14 million.

During the year ended 30 June 2015, the group recharged operating costs incurred on behalf of Eircom Holdco SA of €0.2 million (30 June 2014: €0.4 million). The amount outstanding in respect of these costs is €0.4 million at 30 June 2015 (30 June 2014: €0.4 million).

During the year ended 30 June 2015, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra Ireland Communications Limited of €5.8 million (30 June 2014: €5.8 million). The amount outstanding in respect of these costs is €5.3 million at 30 June 2015 (30 June 2014: €5.2 million).

40. Impact of adopting new accounting standards

The group adopted IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint Arrangements' and IFRS 12, 'Disclosure of Interests in Other Entities' and amendments to IAS 28, 'Investments in Associates and Joint Ventures' on 1 July 2014. The revised standards are to be applied retrospectively and accordingly the group has restated the comparative periods.

IFRS 11, 'Joint Arrangements' requires interests in jointly controlled entities to be recorded using the equity method. Under IFRS 11, the group's investment in Tetra has been classified as a joint venture and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11, the group's interest in Tetra was proportionately consolidated.

The other changes to the standards governing the accounting for subsidiaries, joint ventures and associates do not have a material impact on the group.

The following tables show the impact on the group financial statements of adopting the standard at 1 July 2014.

Group income statement (selected lines)

	Published 30 June 2014 €m	IFRS 11 €m	Restated 30 June 2014 €m
Revenue	1,283	**(16)**	**1,267**
Operating costs excluding amortisation, depreciation, impairment and exceptional items	(816)	**7**	**(809)**
Amortisation	(76)	**-**	**(76)**
Depreciation	(269)	**7**	**(262)**
Exceptional items	(235)	**-**	**(235)**
Profit on disposal of PPE	3	**-**	**3**
Operating loss	(110)	**(2)**	**(112)**
Finance costs – net	(223)	**1**	**(222)**
Share of profit of investments accounted for using the equity method	-	**1**	**1**
Loss before tax	(333)	**-**	**(333)**
Income tax credit	24	**-**	**24**
Loss for the financial year attributable to equity holders	(309)	**-**	**(309)**
Other comprehensive income, net of tax	457	**-**	**457**
Total comprehensive income for the financial period	148	**-**	**148**

40. Impact of adopting new accounting standards - continued

Group balance sheet (selected lines)

	Published 30 June 2014 €m	IFRS 11 €m	Restated 30 June 2014 €m
Assets			
Non-current assets			
Goodwill	192	-	**192**
Other intangible assets	447	-	**447**
Property, plant and equipment	1,578	**(21)**	**1,557**
Investments	-	**1**	**1**
Deferred tax assets	6	-	**6**
Other assets	1	-	**1**
	2,224	**(20)**	**2,204**
Current assets			
Inventories	12	-	**12**
Trade and other receivables	218	**(3)**	**215**
Restricted cash	14	-	**14**
Cash and cash equivalents	199	**(6)**	**193**
	443	**(9)**	**434**
Total assets	2,667	**(29)**	**2,638**
Liabilities			
Non-current liabilities			
Borrowings	2,040	**(9)**	**2,031**
Trade and other payables	159	-	**159**
Deferred tax liabilities	53	-	**53**
Retirement benefit liability	391	-	**391**
Provisions for other liabilities and charges	113	**(4)**	**109**
	2,756	**(13)**	**2,743**
Current liabilities			
Borrowings	9	**(9)**	**-**
Derivative financial instruments	1	-	**1**
Trade and other payables	463	**(7)**	**456**
Current tax liabilities	16	-	**16**
Provisions for other liabilities and charges	69	-	**69**
	558	**(16)**	**542**
Total liabilities	3,314	**(29)**	**3,285**
Total equity	(647)	-	**(647)**
Total liabilities and equity	2,667	**(29)**	**2,638**

40. Impact of adopting new accounting standards - continued

Group cash flow statement (selected lines)

	Published 30 June 2014 €m	IFRS 11 €m	Restated 30 June 2014 €m
Cash flows from operating activities			
Cash generated from operations	282	**(11)**	**271**
Interest received	1	**-**	**1**
Interest paid	(105)	**1**	**(104)**
Income tax refund	3	**-**	**3**
Net cash generated from operating activities	181	**(10)**	**171**
Cash flows from investing activities			
Net cash used in investing activities	(284)	**-**	**(284)**
Cash flows from financing activities			
Repayment on borrowings	(9)	**9**	**-**
Amend and extend fees paid	(13)		**(13)**
Net cash used in financing activities	(22)	**9**	**(13)**
Net decrease in cash, cash equivalents and bank overdrafts	(125)	**(1)**	**(126)**
Cash and cash equivalents and bank overdrafts at beginning of financial year	324	**(5)**	**319**
Cash, cash equivalents and bank overdrafts at end of financial year	199	**(6)**	**193**

40. Impact of adopting new accounting standards - continued

The table below shows the impact of the restatement on the group balance sheet for the year commencing 1 July 2013:

Group balance sheet (selected lines)

	Published 30 June 2013 €m	IFRS 11 €m	Restated 30 June 2013 €m
Assets			
Non-current assets			
Goodwill	192	-	**192**
Other intangible assets	460	-	**460**
Property, plant and equipment	1,584	**(28)**	**1,556**
Derivative financial instruments	4	-	**4**
Deferred tax assets	3	-	**3**
Other assets	5	-	**5**
	2,248	**(28)**	**2,220**
Current assets			
Inventories	12	-	**12**
Trade and other receivables	226	**(4)**	**222**
Derivative financial instruments	1	-	**1**
Restricted cash	22	-	**22**
Cash and cash equivalents	324	**(5)**	**319**
	585	**(9)**	**576**
Total assets	2,833	**(37)**	**2,796**
Liabilities			
Non-current liabilities			
Borrowings	1,977	**(18)**	**1,959**
Trade and other payables	170	-	**170**
Retirement benefit liability	836	-	**836**
Provisions for other liabilities and charges	134	**(3)**	**131**
	3,117	**(21)**	**3,096**
Current liabilities			
Borrowings	9	**(9)**	**-**
Derivative financial instruments	1	**(1)**	**-**
Trade and other payables	447	**(6)**	**441**
Current tax liabilities	21	-	**21**
Provisions for other liabilities and charges	42	-	**42**
	520	**(16)**	**504**
Total liabilities	3,637	**(37)**	**3,600**
Total equity	(804)	-	**(804)**
Total liabilities and equity	2,833	**(37)**	**2,796**

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 Contacts 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. 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. Separately, 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 the incremental costs of obtaining a contract if those costs are expected to be recovered. 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 commissions payable to dealers for the acquisition and retention of mobile subscribers and the costs of modems, amongst others. 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.

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 IAS 1, "Disclosure Initiative". (Effective for periods beginning on or after 1 January 2016, subject to EU endorsement). 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 27, "Equity Method in Separate Financial Statements". (Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement). 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 IAS 16 'Property, Plant and Equipment', and IAS 38 'Intangible Assets'. (Effective for financial periods beginning on or after 1 January 2016, subject to EU endorsement). 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, subject to EU endorsement). 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 2010 to 2012. (Effective in the EU for financial periods beginning on or after 1 February 2015). 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.

Annual Improvements 2011 to 2013. (Effective in the EU for financial periods beginning on or after 1 January 2015). 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.

Annual Improvements 2011 to 2014. (Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement). 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. Comparative amounts

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

43. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 27 August 2015.