Historical Cost Separated Accounts

for the year ended 30th June 2015

Primary Accounting Documentation

Contents

1. Overview

1.1 Introduction

Under the framework[1] for the Regulation of Electronic Communications, the Commission for Communications Regulation (ComReg) may designate operators as having Significant Market Power ("SMP") in respect of specific markets, in which case ComReg may[2] impose on such operators a range of obligations including a requirement for accounting separation and cost accounting. eircom Limited has been designated with SMP in a number of markets and, in each case, is subject to obligations of accounting separation and cost accounting.

The accounting separation obligations require the publication of Separated Accounts, as if eircom Limited was a functionally separated business with wholesale and retail divisions. Cost accounting obligations require the compilation of revenue and cost data at a level of detail, which allows the Regulator to monitor compliance with price controls or cost orientation.

ComReg Decision Notice D08/10 "Accounting Separation and Cost Accounting Review of eircom Limited", dated 31 August 2010, specifies the manner in which eircom Limited must discharge the obligations of accounting separation imposed on it following a finding of SMP. Decision D08/10 requires in particular that eircom Limited's financial records and accounting systems be sufficiently detailed, and supported by sufficient data, to ensure that eircom Limited is in the position to comply with its obligation of transparency, non-discrimination, accounting separation, price control and cost accounting obligations and that it is in a position to prepare Separated Accounts in relation to each of the markets where it has been designated with SMP and furthermore, where so specified by ComReg, in relation to certain electronic communications products and services.

Decision D08/10 requires eircom Limited to produce the following, which together comprise the Regulated Accounts ("the Accounts"):

- Separated Accounts to the market level;
- Additional Financial Statements (AFS) for material services and products;
- Additional Financial Information (AFI) for other financial data; and
- Accounting Documentation – Primary and Secondary.

This document constitutes the Primary Accounting Documentation required to be produced and published by eircom Limited under this Direction.

Additional requirements arise from various decisions imposing SMP, and remedies of cost accounting or price control. In many cases the levels of detail required to satisfy the cost orientation and cost accounting obligations are more granular than the level required to produce the Regulated Accounts. The regulatory cost model used to prepare the accounts often captures the data required to meet these additional obligations. The relevant Decisions are referred to collectively hereinafter as "the Decision Notices".

[1] The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011, the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011,) and the European Communities (Electronic Communications Networks and Services) (Universal Service and Users' Rights) Regulations 2011 (S.I. No. 337 of 2011, establish the framework for the regulation of the provision of electronic communications networks and services in Ireland.

[2] Pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Universal Service Regulations.

Separated Accounts have to be prepared for the market groups and individual markets within these market groups, as shown in the table below:

Market Group	**Markets**
Wholesale Access	Wholesale Fixed Narrowband Access Wholesale Unbundled Access Wholesale Broadband Access Wholesale Leased Lines
Wholesale Other	Wholesale Call Origination Wholesale Call Transit Wholesale Call Termination Wholesale Residual (Regulated Wholesale Residual (Unregulated)
Retail	Retail Fixed Narrowband Access[1] Retail Other[2] Meteor Other Subsidiaries

The full definitions of the market groups and individual markets are set out in Section 2.

[1] Labelled in the Accounts as "PSTN & ISDN Access".

[2] Retail Other comprises Unregulated Retail markets, products and services.

PRIMARY ACCOUNTING DOCUMENTATION

The Separated Accounts are prepared in accordance with this Primary Accounting Documentation, which sets out the framework under which the statements have been prepared.

The Primary Accounting Documentation comprises the following sections:

1. Regulatory Accounting Principles - which set out the general rules by which the Financial Statements are prepared; for example, all balances should be attributed with reference to cost causality.

2. Attribution Methods - which explain how, in line with the Regulatory Accounting Principles, revenue, costs (including transfer charges), assets and liabilities are attributed on a fully allocated basis to the Network Elements and Activities within the markets.

3. Transfer Charges – which explain how charges are raised from the Wholesale markets to the Wholesale and Retail markets for their use of the network.

4. Accounting Policies - which detail the accounting policies adopted in preparing the underlying financial information.

The Primary Accounting Documentation contains the high level principles of attribution. The procedures describing how these principles are applied in detail are contained in the Secondary Accounting Documentation. The Secondary Accounting Documentation is provided privately to ComReg, in accordance with the requirements of Decision D08/10.

1.2 eircom Limited organisation structure

eircom Limited is a unitary business, having one network with support functions, which delivers fixed line and mobile telecommunications services. It is currently organised into three customer-facing business units; (1) Retail Consumer, (2) Retail Business and (3) Wholesale. The customer-facing business units are supported by three internal divisions consisting of (1) a Technology Evolution and Development division; (2) a Networks division and (3) a Central Services division. This integrated organisation structure comprises the statutory entity eircom Limited which delivers both fixed line and mobile services, the latter being through its subsidiary Meteor Mobile Communications Limited ("Meteor"). A number of additional services are supplied by eircom Limited subsidiary companies which maintain separate accounting records.

Following a group re-branding on 16 September, 2015, eircom Limited, formerly known under its trading name of 'eircom' now trades as 'eir' and 'open eir'. eircom Limited and its subsidiaries are now known as eir Group. Meteor continues to trade as meteor but now also trades as eir Mobile.

The brand for the Retail business units is 'eir'. However, to differentiate itself from the Retail Consumer unit, the Retail Business unit trades as eir Business. eir and eir Business sell services to end user customers and their associated revenues, costs (including transfer charges) and mean capital employed are attributed to, and included in, the Retail PSTN & ISDN Access and Retail Other markets.

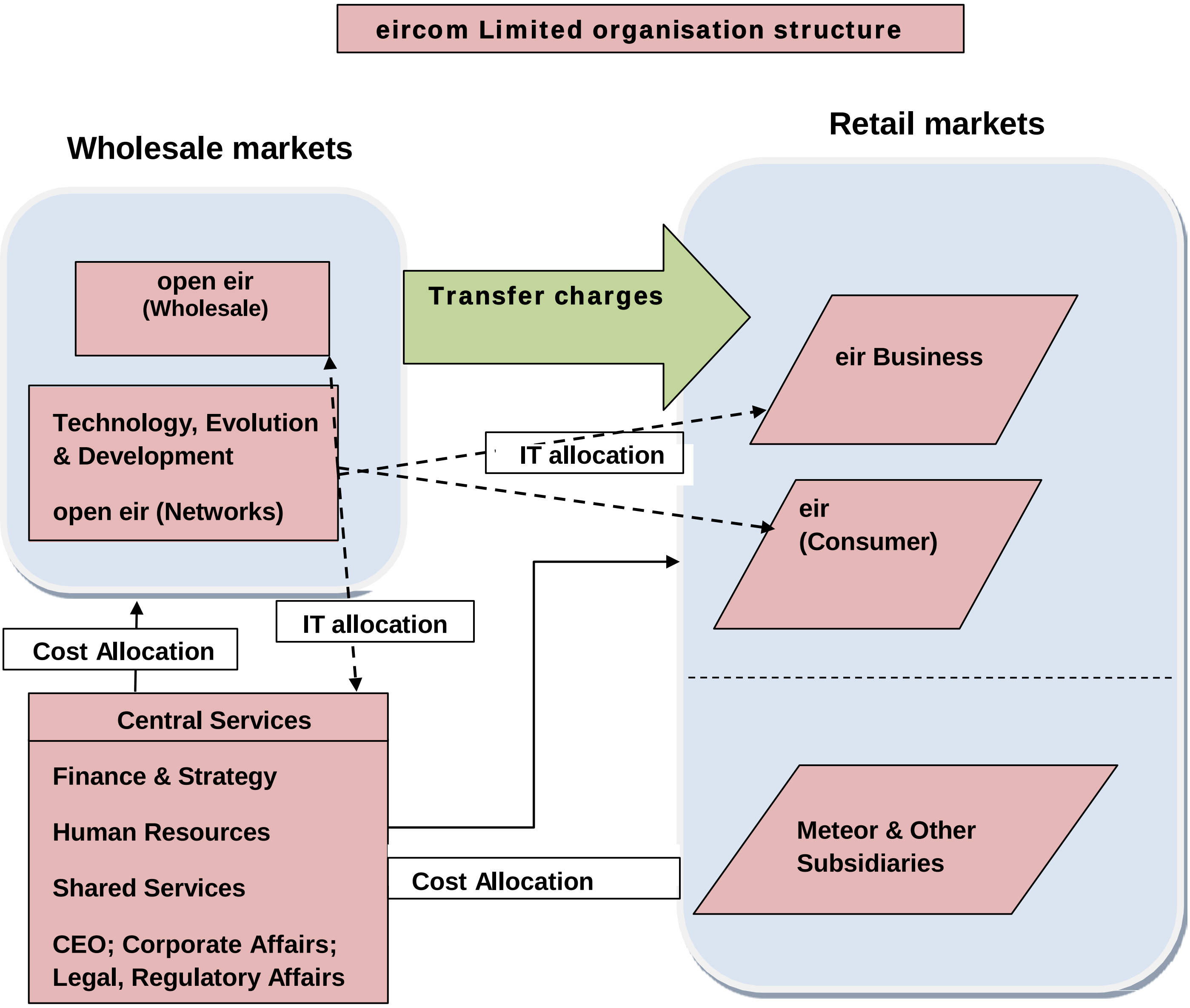
The Wholesale business unit and the Networks division share the 'open eir' brand since 16 September, 2015. open eir sells telecommunications services to OAOs and trades internally with eir (Retail) raising transfer charges for the services consumed. Its revenues, costs and mean capital employed are attributed to the Wholesale markets. The Accounts classify open eir revenues as 'External' from OAOs, 'Internal – Intra' from eir (Retail) and 'Internal – Inter' from subsidiaries.

The Technology Evolution & Development and Networks divisions are responsible for maintaining the core switching, data, and transmission network, providing and maintaining customer connections to this network as well as building and operating the eir Group IT systems and infrastructure. Network Costs are attributed to the relevant Wholesale markets and IT systems costs are attributed across the Wholesale, Technology, Networks, Retail and Central Services divisions.

Meteor and Other Subsidiaries maintain their own accounting records and the results have been included within the Retail market group.

The principal operations of the Retail and Wholesale business units are described overleaf.

1.3 Overlay of the Regulatory Framework on the eircom Limited organisation structure



1.3.1 open eir Wholesale Products & Services

Access Channels

Carrier Pre-Selection Single Billing through Wholesale Line Rental ("SB WLR") allows other authorised operators ("OAOs") to resell open eir's access services (PSTN and ISDN, rental and connection) and to provide the customer with a single bill for access and call services. open eir is required to maintain and repair the access line, which remains connected to the switched network, and bill the OAO for the line. The OAO bills the end customer for its bundled service. This service is only available if the end customer has made a carrier pre-selection for all call types with the OAO. These regulated services are included in the "Wholesale Fixed Narrowband Access" market (Market 1).

Unbundled Local Loops

open eir is required to make the local access network available to other telecommunications companies on a wholesale basis, i.e. share access to unbundled local loops. open eir is obliged to provide Local Loop Unbundling ("LLU") access services to OAOs and to publish an Access Reference Offer ("ARO"), which describes the access services on offer. Unbundled local loop access requires the physical co-location of infrastructure owned by OAOs on open eir's premises in order to permit such operators to access unbundled local loop services. open eir is also required to provide services to enable an end customer's telephone number to migrate to LLU. The prices of these services are regulated through the ARO. These regulated services are included in the "Wholesale Physical Network Infrastructure Access (WPNIA)" market (Market 4).

ADSL Bitstream (including Bitstream IP and Bitstream MB)

Bitstream is a broadband access product that open eir offers to OAOs. It consists of a high-speed access link to the customer's premises, which is created by installing Asymmetrical Digital Subscriber Line ("ADSL") equipment and configuring the Local Access network. open eir is required under relevant regulations to provide ADSL Bitstream access to OAOs and to publish a Bitstream Access Reference Offer ("BARO") describing the ADSL Bitstream services that it offers. open eir currently offers a range of end-to-end (i.e. from the customer to the OAO handover point) based services at a variety of speeds and levels of contention. Alternatively, and where available, OAOs may purchase a "per port" customer line Bitstream product and also a backhauling Bitstream product from the open eir local exchange to the OAO handover point. These services effectively offer to open eir customers wholesale products which are equivalent to the eir Retail's ADSL Broadband and Next Generation Broadband offerings. These regulated services are contained within the "Wholesale Broadband Access" market (Market 5).

NGA Bitstream Plus – FTTC (Fibre to the Cabinet) and FTTH (Fibre to the Home)

NGA Bitstream Plus is a broadband access product that open eir offers to OAOs. It consists of a high speed access link to the customer's premises, which is created by installing Fibre to the Cabinet ("FTTC") equipment and connection to the Next Generation Access ("NGA") network. Fibre to the Home ("FTTH") access products use passive optical network (PON) technology for the underlying network solution. Open eir uses point-to-multipoint fibre to the premises network architecture in which passive optical splitters are used to enable a single optical fibre from the exchange to serve 32 customers premises.

open eir is required under relevant regulations to provide FTTC and FTTH Bitstream access to OAOs and to publish a Bitstream Access Reference Offer (BARO) describing the FTTC and FTTH Bitstream services that it offers. open eir currently offers a range of end-to-end (i.e. from the customer to the OAO handover point) based services. Alternatively, and where available, OAOs may purchase a "per port" customer line Bitstream product and also a backhauling Bitstream product from the open eir local exchange to the OAO handover point. These services effectively offer to open eir customers wholesale products which are equivalent to eir (Retail) NGA fibre broadband offerings.

NGA Bitstream Plus products also support Multicast, which is available as an additional service. Multicast allows multiple end-customers to access a single broadcast stream, such as a TV program and makes more efficient use of the operator's network for this type of service.

These regulated services are contained within the "Wholesale Broadband Access" market (Market 5).

NGA VUA – FTTC and FTTH

In addition to granting access to sub-loops, open eir is obliged to provide NGA Virtual Unbundled Access ("VUA") services to OAOs and to publish this in the Bitstream Access Reference Offer (BARO), which describes the NGA VUA services on offer. These services allow OAOs to utilise the facilities they have located at open eir exchanges to deliver NGA fibre to their customers. Although NGA VUA is a partial substitute for LLU, it utilises active technology and therefore is part of Market 5.

NGA VUA requires the physical co-location of infrastructure owned by OAOs on open eir's premises in order for such operators to access NGA VUA services.

NGA VUA products also support Multicast, which is available as an additional NGA VUA service. Multicast allows multiple end-customers to access a single broadcast stream, such as a TV program and makes more efficient use of the OAO's network for this type of material.

Number Portability

open eir is also required to provide number portability services to enable an end customer's telephone number to be migrated to an OAO. The prices of these services are regulated through the ARO. These regulated services are included in the "Wholesale Residual (Regulated)" market.

Interconnection Services

Interconnection services include both the physical link of open eir's telecommunications network with that of OAOs, and the traffic that passes over the link. open eir provides interconnection services to OAOs in Ireland and to international operators for incoming international calls.

ComReg has designated eircom Limited as having SMP in the interconnect markets, and therefore open eir is obliged under the relevant regulations to provide interconnection services to other domestic authorised operators and to publish a Reference Interconnect Offer ("RIO"). open eir also provides interconnection services to international customers for incoming international calls at settlement rates that are negotiated with them.

These services are split across a number of markets. Domestic traffic charges are regulated and are included where relevant within the "Wholesale Call Origination" (Market 2), "Wholesale Call Termination" (Market 3) and "Wholesale Call Transit" (part of Market 2). Interconnect Links charges and Access to Call Services is regulated and is included in the "Wholesale Residual (Regulated)" market. International traffic charges are not regulated and are included in the "Wholesale Residual (Unregulated)" market.

Wholesale Leased Lines and Partial Private Circuits

open eir provides OAOs with Wholesale Ethernet and Wholesale Leased Line services, including Partial Private Circuits ("PPCs"), as set out in the Leased Line Reference Offer ("LLRO"), and interconnect paths, which are dedicated leased lines connecting the open eir network to that of another OAO. These services are included in the "Wholesale Leased Lines" market (Market 6).

Other Wholesale Services

open eir also provides a number of other unregulated services, including White Label Voice, Broadband and NGA services; International Services including International Access, Inpayments and International Leased Lines; Managed Services; other miscellaneous services including unregulated infrastructure access to open eir duct, fibre, masts and microwave links; Signalling Connection Control Part ("SCCP") services; repayable works orders and chargeable CPE work. All these unregulated wholesale open eir services and products are included in the "Wholesale Residual (Unregulated)" market.

1.3.2 eir Retail Products & Services

1.3.2.1 Retail Access

PSTN & ISDN Access (rental and connections)

eir provides the majority of its residential and business customers in Ireland with access services through copper wires that connect the customer's premises to the nearest exchange in the open eir network. A number of eir Business customers are provided with access services through fibre optic cables. Turnover from PSTN & ISDN Access services is derived from monthly line rental fees and connection charges. These products are regulated and contained within the “Retail Fixed Narrowband Access” market which is labelled in the Accounts as “PSTN & ISDN Access”.

1.3.2.2 Retail Other

PSTN & ISDN Voice Calls

eir's traffic offering includes local, national, fixed-to-mobile and international calls to residential and business customers throughout Ireland at tariffs that vary depending on a number of factors, including the duration of the call, the distance between the points of origin and destination, the time of day and the day of the week the call is made, and any discount package selected by the customer.

eir Broadband; eir Next Generation Broadband

eir has an extensive range of broadband services targeted at residential and business customers based on rate-adaptive ADSL technology.

eir Fibre Broadband

eir’s FTTC service, eir Fibre, uses Very High Speed Asymmetrical Subscriber Line (“VDSL”) technology and is sold to both residential and business customers. eir Fibre can provide much higher download and upload speeds compared to ADSL services. eir Fibre uses fibre optic cables from the open eir exchange to the local open eir cabinet, which is typically within metres of the customer’s premises, which itself is connected to the cabinet using copper lines. Some customers are now also served using Fibre to the Home (FTTH).

eir Vision

eir launched its Internet Protocol Television (“IPTV”) service on 17 October 2013. The current eir Vision offering is a basic package of approximately 45 channels. Residential customers can purchase additional packages of channels for an additional monthly rental fee.

Value Added Voice Services

Value added voice services include a wide range of advanced voice offerings such as Freefone; Virtual Private Networks (“VPN”); Voice over Internet Protocol (“VoIP”) and Session Initiation Protocol (“SIP”); Premium Rate Services (“PRS”), and Call Management Services (“CMS”).

Data Services

eir offers a wide range of national and international data communications services, including leased lines, internet protocol (“IP”) networks and Ethernet services. Specific services include;

- Leased Lines (National and International);
- Business IP, either bandwidth only (BIP Connect) or end to end (BIP Partner);
- Legacy Ethernet (Local, Metro, National);
- Next Generation Network (“NGN”) Data Services, including NGN Ethernet and NGN IP.

Other Retail Services

eir also provides a wide range of other services across all market segments including Other Internet Services (e.g. Dial-up access); Apparatus Supply (Small Customer Premises Equipment ("CPE")); Directory Enquiries ("DQ") and Operator Services; Public Payphones; solutions for small business and enterprise markets including Telephone Systems, Conferencing, Web Hosting and Data Centre Services, Information and Communications Technology ("ICT") and Total Managed Services.

1.3.3 eircom Limited Subsidiaries

Meteor

eircom Limited provides a variety of wireless products and services designed to match a range of needs for business and personal use. The mobile business is conducted through the subsidiary Meteor and offers these services under two brands, meteor and eir Mobile. These services include voice, SMS, MMS, Mobile Broadband and Data Services and device sales for both pre-paid and post-paid mobile customers. The results of this subsidiary are included in the Retail market group.

Tetra

Tetra Ireland Communications Limited ("Tetra Ireland"), a consortium consisting of eircom Limited, Motorola and Sigma Communications Group Limited, provides nation-wide digital radio services for the major state emergency and security agencies e.g. Garda, Prisons, Revenue Commissioners and Ambulance service. eircom Limited's 56% share of the results of this joint venture is included in "Other Subsidiaries", within the Retail market group.

eircom (UK) Limited

The subsidiary eircom (UK) Limited provides a wide range of communications solutions to enterprises across the UK and Northern Ireland including the Public Services Network Solutions ("PSN") to the Northern Ireland Civil Service. The results of this subsidiary are also included in "Other Subsidiaries" within the Retail market group.

1.4 eircom Limited Accounting records

eircom Limited records transactions in its accounting records in accordance with statutory and legal requirements and International Financial Reporting Standards (“IFRS”). Within these records, detailed data is maintained in respect of the manner in which the transactions have arisen. Assets, liabilities, income and costs are recorded by type.

For those cost types that are of a "direct" nature, such as provision and installation cost, there is a system for recording time and costs, such as stores, to a range of sub-accounts, known as "Appropriation Codes". These Appropriation Codes describe the type of equipment being maintained, installed or more generally supported, in further detail. It is therefore possible for example, to identify separately the direct pay costs and related stores costs incurred in the maintenance of exchanges.

For those cost types of an indirect nature, costs are booked to ‘non-appropriated codes’ on a cost centre basis. These costs then are mapped to Summary Resource Type (“SRT”) expenditure headings (refer to section 3.5.1). These expenditure headings are allocated into seven business processes, six support processes and one strategic process.

1.5 Basis of preparation of Separated Accounts

The structure of the Separated Accounts required under the Decision Notices (i.e. Wholesale and Retail markets) does not correspond to the way in which eircom Limited is organised and hence the way the statutory accounting records are structured. The Separated Accounts are therefore produced by overlaying the requirements of the Decision Notices on the statutory accounting record structure of eircom Limited.

These Separated Accounts are prepared by attributing the balances in eircom Limited’s general ledgers and other accounting records (as amended by Directions published by ComReg) to the markets and disaggregated Activities. As required by the Decision Notices, wherever possible, revenue, costs, assets and liabilities are directly associated with a market using information recorded within eircom Limited's accounting records. Where no such direct attribution is possible, the revenue, costs, assets and liabilities are apportioned to Activities or Network Elements and then to markets on a basis that reflects the causality of the revenue, cost, asset or liability.

A Network Element is a unit of network plant or activity which can be separately costed but, in most cases, cannot be separately supplied, e.g. a primary to secondary link. Network Elements comprise cost entities that can be attributed to end services on the basis of a common cost driver. They include relevant overheads and represent the most significant destination for network related costs in the cost allocation process before their final attribution to services based on usage factors or defined allocation bases. All services sold by the Wholesale markets, either to OAOs or to the Retail market, are built up from combinations of one or more Network Elements.

Residual costs for which no direct or indirect method of apportionment can be identified are allocated using an equal proportionate mark-up method. Details of this process are given in section 3.3, the Attribution Methodologies section within this Accounting Documentation.

1.6 Regulatory Accounting Principles

The following Regulatory Accounting Principles are applied in the production of the Regulated Accounts, in the application of the Attribution Methods, the Transfer Charging system, and the Accounting Policies.

- **Priority:** within the Regulatory Accounting Principles, insofar as there is conflict between the requirements of any or all of these Principles, the Principles are applied in the same order of priority in which they appear in this document.

- **Definition:** Any word or expression used in the Accounting Documentation shall, unless the context otherwise requires, have the same meaning as it has in ComReg Decision Notices and in eircom Limited's Telecommunications Authorisation.

- **Causality:** Revenue (including transfer charges), costs (including transfer charges), assets and liabilities shall be attributed to cost components, services and markets in accordance with the activities which cause the revenues to be earned or costs to be incurred or the assets to be acquired or liabilities to be incurred.

  Where it is not possible to attribute revenues, costs, assets and liabilities in accordance with the preceding paragraph, the attribution shall be such as to present fairly the revenues, costs, assets and liabilities accounted for in the Separated Accounts for each market where eircom Limited has a regulatory financial reporting obligation and to present fairly a comparison between the markets as disaggregated.

- **Objectivity:** The attribution shall be objective and not intended to benefit the SMP operator or any other operator, product, service, component or market.

- **Consistency:** There shall be consistency of treatment from period to period. Where there are material changes to the Regulatory Accounting Principles, the Attribution Methods, or the Accounting Policies that have a material effect on the information reported in the markets within the Separated Accounts, the parts of the previous year's Accounts affected by the changes shall be restated.

- **Transparency:** The Attribution Methods used shall be transparent. Costs and revenues, which are allocated to markets, shall be separately distinguished from those that are apportioned.

2. Definitions of the markets

The following table sets out the regulatory decisions which underpin the definition of each market:

EU Regulatory Framework				
Number	**Market**(i)	**SMP Operator(s)**	**ComReg Decision**	**Date**
1	Retail Fixed Narrowband Access	eircom Limited	Decision D07/61 (ComReg 07/61)	August 2007
2	Wholesale Fixed Call Origination	eircom Limited	Decision 04/07 (ComReg 07/80)	October 2007
3	Wholesale Fixed Call Termination	eircom Limited, Colt, Magnet, Smart, Virgin Media & Verizon	Decision 06/07 (ComReg 07/109) Decision D12/12 (ComReg 12/125)	December 2007 November 2012
4	Wholesale Fixed Unbundled Access (WPNIA)(ii)	eircom Limited	Decision 05/10 (ComReg 10/39)	May 2010
5	Wholesale Fixed Broadband Access	eircom Limited	Decision D03/05 (ComReg 05/111r) and Decision D06/11 (ComReg 11/49)	February 2005 July 2011
6	Wholesale Fixed Terminating Segments of Leased Lines	eircom Limited	Decision D06/08 (ComReg 08/103) Decision D02/10 (ComReg 10/12) Decision D02/11 (ComReg 11/22) Decision D12/13 (ComReg 13/75)	December 2008 February 2010 March 2011 July 2013
7	Wholesale Mobile Call Termination	Vodafone, Meteor, Hutchison 3 Ireland, Lycamobile, & Tesco Mobile	Decision D11/12 (ComReg 12/124) Decision D12/12 (ComReg 12/125)	November 2012 November 2012

In accordance with the above set of Decision Notices[1], Separated Accounts are prepared for the following market groups and individual markets within these market groups:

Market Group	**Markets**
Wholesale Access	Wholesale Fixed Narrowband Access Wholesale Unbundled Access Wholesale Broadband Access Wholesale Leased Lines
Wholesale Other	Wholesale Call Origination Wholesale Call Transit Wholesale Call Termination Wholesale Residual (Regulated) Wholesale Residual (Unregulated)
Retail	Retail Fixed Narrowband Access[2] Retail Other Meteor Other Subsidiaries

The market groups above are defined in more detail overleaf.

[1] (i) "Transit services in the fixed public telephone network" (old market 10 per 2002 EU Directive) is not in the revised list of EU recommended markets. However, in ComReg Decision 04/07 (ComReg 07/80), eircom Limited was designated with SMP in the National Transit market and the designation was to apply “until further notice by ComReg”. Therefore eircom Limited continue to comply with the obligations of Accounting Separation and Cost Accounting in relation to Transit services.

(ii) WPNIA = Wholesale Physical Network Infrastructure Access (includes LLU and Next Generation Access Fibre)

[2] Labelled in the Accounts as “PSTN & ISDN Access”

2.1 Wholesale Access

The Wholesale Access market group consists of the provision of connections to the open eir network both internally to eir (Retail) and externally to OAOs. The accounts for the Wholesale Access market group include the costs and capital employed associated with providing and maintaining these connections. The Wholesale Access market group includes all the customer-dedicated components of the network including, for example, the line cards and ports located at concentrators and/or exchanges. In respect of Leased Lines this market group includes all costs and capital employed associated with the end to end wholesale provision of these services. The Wholesale Other market group includes all other network components.

Customer line rental is a service provided by the Retail Fixed Narrowband Access (labelled in the Separated Accounts as PSTN & ISDN Access) market within the Retail market group. The revenue from line rental and connections provided to eir's (Retail) customers is therefore recorded in the Retail market group. The cost of providing customer lines is recorded against the Wholesale Access market group and a transfer charge to the Retail market group is levied in a manner consistent with the charges levied to OAOs for equivalent services. The revenue from providing services on a wholesale basis to OAOs is included in the Wholesale Access market group.

Within the Wholesale Access market group the following individual markets are defined:

a) *Wholesale Fixed Narrowband Access*

This market consists of the provision of PSTN and ISDN Single Billing Wholesale Line rental and connections (SB WLR) services, both externally to OAOs and internally to the PSTN and ISDN Retail Access market. This market is subject to Accounting Separation, Price Control and Cost Accounting obligations.

b) *Wholesale Broadband Access*

This market consists of the provision of Wholesale Bitstream Services to OAOs and to eir (Retail). These services include ADSL-based Bitstream IP and Bitstream Managed Backhaul ("MB"); VDSL cabinet-based and exchange-based FTTC and Optical Line Terminal ("OLT") based FTTH NGA Bitstream Plus. These services are provided over current infrastructure, next generation broadband networks and next generation access networks. In addition, the market includes the provision of NGA VUA services. This market is subject to Accounting Separation, Price Control and Cost Accounting obligations.

c) *Wholesale Unbundled Access (Wholesale Physical Network Infrastructure Access)*

This market consists of the external provision of physical infrastructure access such as LLU and Line Share to OAOs. It also includes certain physical infrastructure elements of VUA, such as accommodation and power charges associated with required OAO equipment. ComReg has defined the boundaries of this market as follows:

- Wholesale Physical Network Infrastructure Access (WPNIA) products provided over current generation copper network infrastructure and its associated facilities at a fixed location.
- WPNIA products provided over next generation fibre network infrastructure and its associated facilities at a fixed location.

This market is subject to Accounting Separation, Price Control and Cost Accounting obligations.

d) *Wholesale Leased Lines*

This market encompasses the wholesale provision of all dedicated, symmetric, point-to-point circuits with a connection to a network termination point at least on one end.

In this context this market encompasses both the market for "Wholesale Terminating segments" subject to Accounting Separation and Price Control and Cost Accounting obligations, and the market for "Wholesale Trunk Segments" which is no longer subject to regulatory obligations.

2.2 Wholesale Other

The Wholesale Other market group provides a range of interconnection services internally and externally in order to allow the customer of one operator to communicate with customers of the same operator or of an OAO, or to access services provided by an OAO. These services include the switching and conveyance of calls. The revenue of this market group derives from the sale of interconnection services to the Retail Other market in the Retail market group and to OAOs. Transfer charges from this market to the Retail market group are based on the charges levied upon OAOs for equivalent services.

This market group also includes charges to and from OAOs for access to call services, such as directory enquiries and premium rate charges in respect of eir's Retail Other market. These services are transfer charged based on the actual costs incurred or revenue received for OAOs accessing eir Retail call services.

Within this market group the following individual markets are defined:

a) Wholesale Call Termination

This market consists of the provision of call termination services both to OAOs and eir's Retail Other market. ComReg has defined the boundaries of this market as follows in "Market Analysis – Interconnection Market Review of Wholesale Call Origination & Transit Services (07/51)";

"*Termination services provide primary switching/routing functionality at the terminating end of a call. The primary switching/routing stage is the final point in the network where call routing is done on a call-by-call basis. It incorporates carriage from the end of the previous stage in the call routing (either call origination or transit), through the primary switching/routing stage (including, where appropriate, traffic concentration and/or non-call-by-call routing subsequent to the primary switching/routing stage), to the end user's local loop, including the subscriber's line card or equivalent, in its entirety.*"

open eir's Reference Interconnect Offer ("RIO") includes a number of products that utilise call termination including:

- Primary Call Termination;
- Single Tandem Call Termination;
- Double Tandem Call Termination.

The Primary Call Termination market represents two wholesale products;

- External Call Termination – which represents an extraction of the relevant element of each of the above for the provision of services to OAOs;
- Internal Call Termination – which represents the provision of call termination for eir (Retail) and other Wholesale calls i.e. white label voice.

This market is subject to Accounting Separation, Price Control and Cost Accounting obligations.

b) Wholesale Call Origination

This market consists of the provision of call origination services both to OAOs and eir's Retail Other market. ComReg has defined the boundaries of this market as follows in "Market Analysis – Interconnection Market Review of Wholesale Call Origination & Transit Services (07/51)";

"*Origination services provide primary switching/routing functionality at the originating end of a call. The primary switching/routing stage is the first point in the network where call routing is done on a call-by-call basis. It incorporates carriage from the service provider's end of the end user's local loop (which includes the subscriber's line card or equivalent, in its entirety), through the primary switching/routing stage (including, where appropriate, traffic concentration and/or non-call-by-call routing prior to the primary switching/routing stage), to the next stage in the switching/routing of the call (either call termination or call transit).* "

open eir's (RIO) includes a number of products that utilise call origination including:

- Primary Call Origination;
- Single Tandem Call Origination;
- Double Tandem Call Origination.

The Primary Call Origination market comprises two wholesale products;

- External Call Origination – which represents an extraction of the relevant element of each of the above for the provision of services to OAOs;
- Internal Call Origination – which represents the provision of call origination for eir (Retail) and other Wholesale calls i.e. white label voice.

This market is subject to Accounting Separation, Price Control and Cost Accounting obligations.

c) *Wholesale Call Transit*

This market consists of the provision of call transit services both to OAOs and eir's Retail Other market, including international incoming calls to OAOs. ComReg has defined the boundaries of this market as follows in "Market Analysis – Interconnection Market Review of Wholesale Call Origination & Transit Services (07/51)";

"Transit conveyance comprises all elements of national call routing that takes place between call origination and call termination with the exception of any switching/routing stage that, for the call in question, undertakes a function not typically associated with simple call routing. For the avoidance of doubt, this definition of transit excludes switching/routing stages which undertake a specific CPS/WLR function and switching/routing stages which undertake a specific NTC function for the call in question."

ComReg concluded that the conditions of competition for services through International Gateway exchanges are more analogous to national transit services and should be included in the national transit market. This aspect has been represented in the Accounts by a transfer charge from the Wholesale Call Transit market, and also where applicable the Wholesale Call Termination markets, to the Wholesale Residual (Unregulated) market.

open eir's RIO includes a number of products that utilise call transit services including;

- Single Tandem Call Origination;
- Double Tandem Call Origination;
- Single Tandem Call Termination;
- Double Tandem Call Termination.

The Call Transit market represents two wholesale products;

- External call transit – which represents the revenues associated with national transit plus an extraction of the relevant element of origination and termination for the provision of services to OAOs.
- Internal call transit – which represents the provision of call transit for eir (Retail).

This market is subject to Accounting Separation, Price Control and Cost Accounting obligations.

d) *Wholesale Residual (Regulated)*

This market consists of all wholesale services subject to either an Accounting Separation or Price Control and Cost Accounting obligations that do not fall within the boundaries of the explicit markets above. The most significant services falling within this market are as follows;

- Interconnect Links – connections and rentals;
- Access to Call Services, such as Directory Enquiries and Premium Rate Services;
- SB WLR Ancillary Services and Low Value CPE.

f) Wholesale Residual (Unregulated)

This market consists of all remaining wholesale services that do not fall within the boundaries of the markets listed above. Services include;

- White Label Services – including voice services to facilitate OAO “Switchless” operation; and broadband without the requirement for OAO backhaul services;
- International Services including International Access, Inpayments and International Leased Lines;
- Managed Services sold to OAOs;
- Other miscellaneous services including unregulated infrastructure access to open eir duct, fibre, masts and microwave links; repayable works orders; sale of stores & plant; SCCP; chargeable CPE work; and
- Services provided to eir (Retail) for which there is no open eir wholesale equivalent and priced on a Cost plus (Cost of Capital) basis.

2.3 Retail

The Retail market group includes all those activities involving the selling of telephony services to end-users, including line rental and connection, leased lines, calls, payphones and the provision of directory information. In addition, eir provides a wide range of other services including mobile services; the rental, repair and maintenance of customer equipment; webhosting and data centre services and other non-telecommunications value-added services all of which are also incorporated into this Market group.

Within this Market group the following individual markets are defined;

a) Retail Fixed Narrowband Access

This business relates to the supply of PSTN and ISDN connections, line rental and associated costs.

b) Meteor

Meteor represents revenues, costs and capital employed recorded in the financial statements of Meteor Mobile Communications Limited (trading as meteor and eir Mobile).

c) Other subsidiaries

Other subsidiaries include the revenues, costs and capital employed recorded in the financial statements of all companies within the eir Group, excluding those of eircom Limited and Meteor Mobile Communications Limited.

d) Retail Other

Retail Other includes all other activities within the Retail Market group, including but not limited to Retail voice traffic and broadband services. The principle residual Retail activities include the following services:

- Value Added Voice services including Freefone, VPN & IVPN, VoIP & SIP, PRS and CMS; SMS
- Other Internet Services including Dial-up Internet access;
- Apparatus Supply (Small CPE) including rented telephone handsets and sundry equipment sales;
- Leased Lines including legacy national & international circuits; local, metro and national Ethernet; and SANS solutions;
- Legacy Data Services including Business IP (BIP);
- NGN Data Services including Ethernet, IP, internet and multi-service access;
- Directory Enquiries (DQ) services and legacy Operator services;
- Public Payphones including coin & credit card voice, internet access and advertising;
- Other Remaining Activities including:
  - TV Services;
  - Total Managed Services (including Managed Networks, Unified Communications, Technical Services, Software & CPE, Web Hosting, Small Office Telephone Systems Sales & Services, TeleConferencing and Total Managed Solutions);
  - Property (3rd Party rental), Staff on Loan and other sundry activities.

3. Attribution Methods

3.1 Introduction

This document describes the Attribution Methodologies used to allocate fully eir's revenue, costs, assets and liabilities to its Market groups and, where applicable, their disaggregated markets and gives an explanation of the different methods used for attributing revenue, costs and capital employed. Cost types and the processes involved in their allocation or apportionment are described, showing how costs are treated from their initial recording in eir's accounting records to their ultimate attribution to Network Elements and then to Market groups or Markets. It explains both the system used to produce the Separated Accounts and the methodologies employed in that system.

The purpose of Accounting Separation is to provide an analysis of information derived from financial records to reflect as closely as possible the performance of parts of a business as if they were operating as separate businesses. It is necessary for competing operators to have confidence that eir is not discriminating between its own Retail Activities and competing operators or between one competitor and another when providing similar services.

The aim of Accounting Separation is to assist in ensuring that charges are cost-based, transparent and non-discriminatory.

The fundamental feature of this approach to attribution is the principle of causality. Unless expressly required to be excluded for regulatory purposes, income, cost and capital employed recorded in the eircom Limited financial statements are attributed to the Activities and Network Elements which make up the separate Markets defined under Accounting Separation.

Attribution Methodologies are regularly reviewed and enhancements are introduced to reflect, for example, changing technologies. Apportionment bases, which are the practical application of these methods to actual values, are updated as appropriate.

3.2 Market groups

Under Accounting Separation, Financial Statements are produced that show eir's revenue, costs and capital employed attributed between the following market groups:

3.2.1 Wholesale Access

The Wholesale Access market group is responsible for providing connections to the open eir network both internally and externally. The accounts for the Wholesale Access market group include the costs and capital employed associated with providing and maintaining these connections. The market group is made up of a number of markets as follows:

- Wholesale Fixed Narrowband Access;
- Wholesale Fixed Unbundled Access;
- Wholesale Leased Lines;
- Wholesale Broadband Access.

3.2.2 Wholesale Other

The Wholesale Other market group provides a range of interconnection services internally and externally in order to allow the customer of one operator to communicate with customers of the same of another operator, or to access services provided by another operator. These services include the switching and conveyance of calls. The revenue of this market derives from the sale of interconnection services to the Retail market and to other operators. This market group is made up of a number of markets as follows:

- Wholesale Call Termination;
- Wholesale Call Origination;
- Wholesale Call Transit;
- Wholesale Residual (Regulated);
- Wholesale Residual (Unregulated).

3.2.3 Retail

The Retail market group is made up of a number of markets as follows:

- PSTN & ISDN Access;
- Retail Other.

3.3 Attribution Methodologies

3.3.1 Overview

eir's general approach to attribution is to identify income and costs which can be directly attributed to Network Elements and to markets. For all remaining items eir identifies the appropriate driver for each item, and, as far as possible, uses objective operational and/or financial data relevant to that driver to generate apportionment bases.

This approach to the process of attribution of balances to Network Elements and/or market groups can be summarised as follows:

- review each balance;
- establish the cost driver, i.e. the process that caused the cost to be incurred or the revenue to be earned;
- use the driver to allocate or apportion the balance to relevant Wholesale and Retail markets.

The general methods for revenue and cost attribution in Accounting Separation are set out below. The attribution of Mean Capital Employed, which follows the same principles, is also described below.

A Network Element is a unit of network plant or activity which can be separately costed but, in most cases, cannot be separately supplied, e.g. a primary to secondary link. Network Elements comprise cost entities that can be attributed to end services on the basis of a common cost driver. They include relevant overheads and represent the most significant destination for network related costs in the cost allocation process before their final attribution to services based on usage factors or defined allocation bases. All services sold by the Wholesale markets, either to OAOs or the Retail market, are built up from combinations of one or more Network Elements.

3.3.2 Revenue

With the exception of certain Wholesale Call Conveyance products, revenue is allocated directly to individual markets. See section 3.4 for further details.

3.3.3 Costs

Costs are drawn from eir’s primary accounting records, i.e. General Ledger. The methodologies applied to the costs, which vary according to the nature of the costs and the way in which they are recorded, are set out below.

3.3.3.1 Direct and directly attributable costs

Certain costs can be directly allocated to specific market groups, markets and Network Elements and therefore, do not require apportionment. These costs include most of the costs directly related to customer-facing activities, such as costs associated with maintenance of customer premises equipment. They also include directly appropriated and plant costs that relate solely to individual elements of the network. Some of these specific costs can be directly allocated to Network Elements, such as International Transmission or Broadband specific plant.

3.3.3.2 Indirectly attributable costs

Other costs cannot be directly associated with particular market groups, markets and Network Elements, and require indirect apportionment. These costs include general costs of eir's business units, which service various market groups, markets or Network Elements, and are recorded on a cost centre basis using the Activity Based Costing process outlined in section 3.5 below, where a specific apportionment base can be identified and measured.

The above cost type will also include other costs, such as the costs of core or local access transmission equipment, which are used to provide a number of network services. These costs are grouped and then apportioned to Network Elements using network statistics, surveys or other methods of analysis (see section 3.7).

3.3.3.3 Unattributable Costs

As stated above, eir utilises, wherever possible, objective data relating to cost drivers. There is, however, some expenditure for which no specific apportionment bases can be readily derived. These costs mainly represent central corporate overheads, such as the costs of central accounting and human resource functions. These costs are apportioned to market groups, markets or Network Elements using the equal proportionate mark-up method, i.e. any individual Business will receive a proportionate allocation of unattributable costs equal to its proportionate allocation of attributable costs.

3.3.4 Mean Capital Employed

Mean Capital Employed is defined, by eir, as the mean of:

(a) total assets, excluding goodwill, intangible assets arising on acquisitions (with the exception of software assets and licences), retirement benefit assets/liabilities and balances related to exceptional and non-relevant items excluded from the Separated Accounts; less

(b) total liabilities, excluding current and deferred tax liabilities, dividends payable and borrowings except to the extent those borrowings relate specifically to the funding requirements of an individual business or project.

Non-current assets are recorded by capital Appropriation Codes and can be segmented into three categories:

(1) assets that can be directly allocated to market groups, markets and Network Elements, e.g. satellite earth stations, which are directly attributable to the International Transmission Network Element;

(2) assets relating to a market range and/or Network Elements which are apportioned on the basis of cost drivers, e.g. exchange line termination equipment asset classes, which provide both concentrating and switching functions and are thus apportioned to various switching Network Elements and markets; and

(3) assets of a general nature, for example, general mainframe computers or motor transport, where an appropriate apportionment bases, derived from the attribution of the operating costs of that element, is applied.

For current assets and liabilities, those elements that can be directly attributed to markets (specific debtors, creditors and inventories), are directly allocated. For the remainder, appropriate apportionment bases are derived for each element.

Cash balances are attributed to Network Elements and directly to markets on the basis of an analysis of relevant operating and capital expenditure or pay costs in those Network Elements and markets in the year. Provisions for liabilities and charges are either allocated specifically to markets and Network Elements or are apportioned using a basis appropriate to the particular provision.

3.3.5 Non-Financial Data

Wherever costs cannot be directly allocated to Activities and Appropriation Codes, or when Appropriation Codes do not map exactly to Network Elements and Markets, an apportionment is required. Depending on the cost involved the appropriate basis of apportionment may be of a non-financial nature. In these instances the relevant data may be extracted from non-financial data sources, such as operational systems recording core transmission and usage, or may be collected through activity analysis.

3.3.6 Sampling

A number of the bases used to apportion costs and capital employed to Network Elements and directly to Markets are constructed using sample data. Sample data has been used to allocate certain indirect costs, which have no comprehensive allocation base, to products and services. Where sample data has been used in an apportionment base, this has been disclosed in this document where the impact is significant. For instance, the allocation of duct costs is based upon physical examination of a sample of duct routes. Network Element route factors are also based upon call volume data drawn from a number of representative sample periods in the financial year.

Where sample data has been used, the sample has been constructed so as to meet the following principles:

1. The sample data is unbiased and objective;
2. Where appropriate, the sample size has been assessed in a statistical manner and is statistically significant;
3. The sample data is representative of the entire population;
4. The sample data is not obscured by seasonal or other factors; and
5. The sample data is updated as required.

3.3.7 Summary

Revenue, costs and capital employed are attributed by allocation and apportionment, either directly to Activities or Network Elements or Markets, or via a series of steps of indirect allocation through analysis of Appropriation Codes or the Activity Based Costing process, or through the apportionment of unattributable overheads.

eir's approach to attribution is to identify the appropriate cost drivers for each revenue, cost or capital employed and, as far as possible, to use objective operational and/or financial data relevant to that cost driver to generate apportionment bases. Sample data has been used where appropriate.

Apportionment bases are reviewed at least annually and methodologies are regularly reviewed with enhancements introduced to reflect, for example, changing technologies.

3.4 Revenue

3.4.1 Overview

Turnover, which is net of discounts and value added tax, is made up of the value of services provided and equipment sales. Turnover arises from calls, line rentals, connection charges, equipment sales and other activities.

3.4.2 Discounts

A wide range of discount schemes are provided to retail and wholesale customers, in respect of services such as connections, line rental, calls and data services. Discounts on traffic products are automatically applied as part of the flexible tariffing module in the billing system. Rental or connection promotional discounts, bundled rental discounts and discount plan subscription charges (e.g. eir Talk plans) are billed by type of promotion or service package/discount plan and then either reallocated to the products to which they relate or, as in the case of bundled discounts, reallocated to the products where the discount is absorbed. The discounts in respect of fixed and mobile bundled packages are allocated between fixed and mobile services. SB WLR discounts given in Large Exchange Areas ("LEA"), as defined by ComReg, arising from the provision of NGA services are allocated to the Wholesale Fixed Narrowband Access market.

3.4.3 Wholesale Access market group

Revenues arising from OAOs in respect of Wholesale Access services are separately identified in the accounting records and, where possible, directly allocated to the markets.

The revenue arising from the provision of network services to the Retail markets is calculated separately, rather than in eir's main accounting systems, on the basis of recorded volumes of usage and the application of the published price list. In calculating the transfer charge, relevant Wholesale discounts to OAOs are applied.

3.4.4 Wholesale Other market group

Revenues arising from OAOs in respect of calls originating on their networks and terminating on, or transiting through, the network are separately identified in the accounting records. Other revenues from OAOs in respect of Access to Operator Assistance, Directory Enquiries (DQ) services and Premium Rate Services (PRS) are also separately identified and allocated to the Wholesale Residual (Regulated) market and ultimately transfer charged to the Retail Other market. However, the service structure currently used in OAO pricing relating to call conveyance does not align with the market structure within the Separated Accounts. For example, the interconnect service "Double tandem termination" includes charges for conveyance elements which lie within the transit market (Double-tandem element) and the termination market (Local termination element). Thus the revenues within this wholesale market are subject to an attribution stage which matches the underlying interconnection revenues to their respective markets.

The revenue arising from the provision of services to the Retail markets is not captured in eir's main accounting systems and so is calculated separately on the basis of recorded volumes of usage and the application of the published price list, where equivalent published prices exists. However, some on-net calls use network services in a manner that it is not reflected in the published price list. In these instances additional charges, known as "On-Net Sticks", are derived from the published prices to cover the costs of the Network Elements needed to complete these calls. The prices for the "On-Net Sticks" are derived using information from the Wholesale call conveyance pricing model.

3.4.5 Retail market group

3.4.5.1 Retail Fixed Narrowband Access

PSTN & ISDN Access revenue, which is separately identifiable from the accounting records, is in respect of connection and rental income related to the provision of narrowband PSTN and ISDN lines to retail customers. This revenue is stated net of direct promotional discounts in respect of PSTN and ISDN connection and rental revenue but does not include any discounts attributable to bundled access and calls products (e.g. eir Talk plans).

3.4.5.2 Retail Other

This market contains a number of disparate activities with differing revenue sources, elements of which are outlined below.

3.4.5.3 Voice Calls

Call revenue relates to customers' calls and is accounted for on an accruals basis. eir's billing system facilitates the identification of volumes and durations of all calls by type. This system is used to identify the revenue by call types including local, national, international, calls to mobile, directory enquiry and calls to internet in the accounting records. Therefore, this revenue can be allocated directly to the relevant Retail Activities. Discounts attributable to bundled access (e.g. eir Talk plans) and call packages are netted against call revenue.

3.4.5.4 ADSL Broadband (including eir Broadband and eir Next Generation Broadband)

ADSL revenue, which is separately identifiable from the accounting records, is in respect of connection and rental income related to the provision of broadband lines to retail customers. This revenue is stated net of direct promotional discounts in respect of ADSL connection and rental revenue but does not include any discounts attributable to bundled access and calls products.

3.4.5.5 eir Fibre Broadband

eir Fibre Broadband revenue which is separately identifiable from the accounting records is in respect of connections and rental income related to the provision of FTTC broadband lines to retail customers. This revenue is stated net of direct discounts in respect of eir Fibre connections and rental revenue but does not include any discounts attributable to bundled access and calls products.

3.4.5.6 eir Vision

eir Vision revenue which is separately identifiable from the accounting records in respect of connection and rental income related to the provision of IPTV services to retail customers. This revenue is stated net of promotional discounts in respect of eir Vision basic and value added connections & rental revenue.

3.4.5.7 Leased Lines

Rental and connection charges for leased lines circuits can be separately identified in the accounting records and the revenue can therefore be directly allocated to the relevant activity. This revenue is stated net of discounts in respect of Leased Lines services.

3.4.5.8 Internet Services Supply and Legacy & NGN Data Services

Rental, connection, calls and other revenue for all of the above categories can be separately identified in the accounting records and the revenue can therefore be directly allocated to the relevant activity.

3.4.5.9 Apparatus Supply (Small CPE)

Apparatus Supply revenue relates to the rental, sale, maintenance and installation of telephone apparatus, each of which are separately identified in the accounting records and directly allocated to this activity.

3.4.5.10 Public Payphones

Public payphone revenue arises from the collection of cash from payphones, the sale of callcards, advertising revenue earned from Payphone sites and revenue from internet access points. These can be identified directly from the accounting records and can therefore be directly allocated to the relevant activity.

3.4.5.11 Freefone, VPN & IVPN, VoIP & SIP, PRS, CMS and Other Revenue

Rentals, connections, calls and other revenue for all of the above categories can be separately identified in the accounting records and the revenue can therefore be directly allocated to the relevant activity.

3.4.5.12 Meteor

Meteor maintains its own accounting records and has its own individual Income Statement, within the Retail Market Income Statement.

3.4.5.13 Other Subsidiaries

Each subsidiary maintains its own accounting records. Revenue relating to subsidiary activities can thus be separately identified and directly allocated to this activity.

3.5 Costs

As noted above non-appropriated costs are allocated using an Activity Based Costing methodology. This consists of a two stage process comprising apportionment of non-appropriated costs to defined Activity Based Costing activities and a mapping of these activities to Network Elements and then to market groups, markets, products and services.

3.5.1 Apportionment to Activity Based Costing activities

The non-appropriated cost information is held by cost centre and cost type. The cost types are compiled from general ledger account codes from the accounting records. The cost types are mapped to expenditure headings, also known as SRTs, each SRT being an amalgamation of like cost types which have the same cost driver e.g. the pay costs SRT's are made up of basic pay, bonuses, payroll subsistence, employers' PRSI, pension and relevant contract staff costs. The cost driver for these costs is an analysis of employees time spent, based on the operational information with suitable apportionment bases being determined for all SRT's.

The cost centres are amalgamated into activity nodes. These activity nodes consist of cost centres that are ultimately under the responsibility of one person. It is the responsibility of each node manager to produce an allocation of the costs within the node to activities defined in a compiled Activity Dictionary. This is performed by identifying a cost driver for each SRT and apportioning the cost to the defined activities using the defined driver.

The Activity Dictionary consists of activities which are aggregated into the main processes within eir. The core dictionary defines the business processes, support processes, and one strategic process, "Manage the Business".

Each process is broken into a 3 level hierarchy:

- level 1 - the process itself
- level 2 - the sub processes
- level 3 - the activity dimension

The sub-processes assist in defining the activity costs more accurately, as they ensure that all aspects of the activities are combined to result in the complete cost of the particular activity.

Costs are allocated against the activity dimension. The cost of a process or sub-process is identified by aggregating the costs against the activity dimensions of which they are composed.

3.5.1.1 Business processes

Business processes are defined as the collection of activities arising from the development, supply and management of products and services supplied to eir's customers. The seven business processes are:

(1) Innovation, Product Development and Management - activities involved in developing and delivering a fully managed set of products and services to customers.
(2) Marketing and Sales - this involves the sales and marketing and account management of all eir products and services.
(3) Provisioning - this covers all aspects of the supply of eir products and services to the customer.
(4) Billing - this covers all aspects of call measurement, customer billing, cash collection, bad debts and credit management.
(5) Repair - this covers the resolution of service difficulties reported by the customer and covers the full range of products of eir.
(6) Operator services - this provides operator assisted services to customers.
(7) Manage the Network – this covers all activities involved in managing the Network.

3.5.1.2 Support processes

Support processes support the business processes i.e. they provide services across all customer-related activities. The six support processes are:

(1) People - this involves all aspects of the human resources function.
(2) Finance - this process involves all activities within the finance function.
(3) IT Support - this process includes all activities within the IT function, including system design, implementation and support.
(4) Corporate Communications - this process involves strategic policy development and branding.
(5) Corporate Services - this process involves various activities, including security and risk management, regulatory management, and strategic business planning.
(6) Procurement – this process involves acquisition, management and maintenance of physical resources to be used by the company's activities.

3.5.1.3 Manage the Business process

The 'Manage the Business' process involves planning, organising, controlling and leading the eir Group. The process involves the development of corporate strategy, development of the management system, and implementation of corporate strategy.

This is a strategic process and is thus distinct from the business and support processes.

3.5.2 Mapping of Activity Based Costing activities to market groups, markets & Network Elements

A further apportionment process is required to produce final allocations as the Activity Based Costing activities do not always directly map to the Network Elements or markets defined under Accounting Separation.

This apportionment can take any of the following forms:

- an activity may be wholly attributable to a market group, market and Network element regardless of the node in which the costs reside;
- some activities may be attributed to different market groups, markets and Network Elements depending upon the node in which the cost falls, e.g. accommodation management activity is attributed in different proportions to market groups, markets and Network Elements depending on the nature of the node in which the activity has been identified; and
- some activities may not be wholly attributable to a single market group, market or Network Element. In this case an appropriate apportionment base has been created to apportion the costs within the Activity Based Costing activity to market groups, markets and Network Elements. For example the activities under the billing process have been apportioned to Activities and Network Elements by identifying the cost driver relevant to each activity.

3.6 Mean Capital Employed

3.6.1 Overview

The definition of Mean Capital Employed for Accounting Separation purposes is contained in section 3.3.4. The apportionment of Mean Capital Employed follows a similarly detailed and careful approach to that for operating costs. For some items, such as trade debtors, turnover is the appropriate driver rather than costs where balances cannot be specifically attributed to markets. Where reference is made to processes described elsewhere in the document, full details of these processes are not repeated here.

For example, reference may be made to apportionment on the basis of "total pay". This is used wherever pay is the causal driver, e.g. for payroll creditors. Thus, the attribution of payroll creditors will follow the same procedure as the corresponding related pay costs. The record of pay costs attributed to market groups, markets and Network Elements in the cost attribution process is used to attribute related creditors in such a way as to reflect fully the complexities of the analysis of those pay costs.

3.6.2 Property, Plant and Equipment

Some network equipment assets can be allocated directly to markets and Network Elements on the basis of the asset class recorded in the general ledger, or on the basis of network statistical or other studies. These include the following categories of plant:

- Local Access Network cable;
- Duct and Poles;
- Broadband plant;
- Exchange Switching plant;
- Transmission plant.

Motor vehicles, computers, land and buildings are apportioned across Network Elements and then market groups and markets using bases which replicate the total apportionment to services of the costs of the operations supported by the assets concerned. The fixed assets of specialist operating units are directly allocated to the appropriate market and Network Element by virtue of the operations undertaken by those specialist units. Where direct allocation is not possible each unit will apportion the relevant assets between activities using an appropriate cost driver specifically selected to reflect the operations concerned.

3.6.3 Inventories

Inventory is allocated to the markets to which it relates based on management review of inventory on hand.

3.6.4 Trade and Other Receivables

Trade and Other Receivables are analysed by type and sub-analysed where appropriate (e.g. by billing system) from information in the accounting records. At this stage, the appropriate apportionment bases (e.g. relevant turnover) are then applied. Trade and Other Receivables include the following categories:

- Wholesale debtors and related accrued income and deferred revenue are initially allocated to the Carrier Billing Network Element and then attributed between markets on the basis of relevant turnover, or where applicable, directly to an individual market.
- Retail trade debtors are directly allocated to markets on the basis of relevant turnover, or where applicable directly to a market.
- Retail prepaid and accrued income is directly allocated to markets on the basis of relevant turnover, or where applicable directly to a market.
- Other debtors and prepayments are apportioned to markets and Network Elements using bases appropriate to the particular debtor type, or where applicable directly to a market.

3.6.5 Cash at bank and in hand

eircom Limited cash and overdraft balances are apportioned to markets and Network Elements, on the basis of relevant operating and capital expenditure in the year.

Irish Telecommunications Investments Limited ("ITI") is the finance function of the eir Group. The ITI cash balance is allocated to eircom Limited and subsidiary undertakings on the basis of an analysis of the components of ITI's cash balance at the relevant year-ends. The ITI cash balances attributable to eircom Limited and subsidiary undertakings is determined on the basis of relevant mean balances held with ITI by the respective entities in the eir Group. The ITI cash balance apportioned to eircom Limited is subsequently apportioned on the basis of operating and capital expenditure, consistent with the allocation of eir's own cash.

Restricted Cash balances are directly allocated to markets and Network Elements where possible or based on an appropriate cost driver which reflects the nature of the balance.

3.6.6 Loans and other borrowings falling due within one year

This category includes bank overdrafts and short term loans, which are apportioned on the basis of operating and capital expenditure in the year.

This category includes borrowings specifically related to the funding requirements of individual projects which are apportioned directly to those markets.

3.6.7 Creditors

Creditors (including accruals) are analysed by type from the general ledger codes and the appropriate apportionment bases are then applied in the following categories:

- Trade creditors, including capital creditors, are apportioned directly to markets and Network Elements, where applicable, or on the basis of operating and capital expenditure, excluding pay and outpayments which are separately apportioned.
- Wholesale creditors are principally allocated to the Outpayments and Carrier Billing Network Elements before being attributed to markets.
- Payroll creditors are apportioned to Network Elements and markets on the same basis as related total pay or directly to individual markets where applicable.
- VAT balances are segmented into specific balances and a residual general balance. The specific balances are allocated to the activity to which they relate. The residual balance is further segmented into VAT output tax payable and VAT input tax receivable balances. VAT payable is apportioned to Markets and Network Elements on the basis of external turnover. VAT receivable is apportioned on the basis of total external costs (excluding pay and foreign admin costs).
- Other creditors are apportioned to markets and Network Elements using bases appropriate to the particular creditor type.

3.6.8 Provisions

Provisions for liabilities and charges are either allocated directly to markets and Network Elements or are apportioned using a basis appropriate to the particular provision.

3.7 Apportionment of network costs

3.7.1 Overview

The process to apportion network costs to Network Elements is based on the direct relationship with an asset, network element or network product or is based upon a series of network studies, which make use of relevant engineering data and/or operational systems.

Taken together, Network Elements make up all the costs and capital employed of the separated Wholesale markets.

3.7.2 Switching exchange equipment

The main cost drivers for exchange equipment are connections; call set up; and call durations. Exchange equipment costs are allocated to the appropriate drivers on the basis of an engineering study undertaken to analyse the functionality of this equipment.

In certain cases e.g. Line Cards, ComReg has directed open eir to make certain adjustments to the engineering studies. open eir has been directed to treat line cards as 100% line sensitive (see section 3.9.3). The apportionment approach identifies the allocation of total exchange costs between the Line sensitive Network elements and Call and Traffic sensitive Network elements. The specific equipment affected by this study is exchange line terminations, trunk terminations, core hardware, operating software and application software.

Exchange expenditure is assigned to the main cost drivers, as follows:

- Connections – costs that are associated with equipment that has the function of providing access to the network.
- Call set-up - costs that are associated with equipment that has the function of establishing and clearing an end to end network path.
- Call duration - Costs associated with equipment that has the function of holding the network path open for the duration that a link is made across the network.

3.7.3 IP Multimedia Subsystem (IMS) Switching

The usage of IMS switching equipment is currently limited to business VoIP services and Mobile services (“Home Location Register” – “HLR”). The costs and associated capital charge on the IMS platform are allocated to the Wholesale Residual (Unregulated) Other market. A cost based transfer charge is used to transfer these costs to Retail Residual.

3.7.4 Transmission

The ‘transmission network’ provides the following type of links:

- links between customer connections and exchange locations, including underground and overhead paths;
- links between Remote Subscriber Unit (“RSU”) locations and exchange locations (primary, secondary and tertiary); and
- links between exchange locations.

These paths are recorded in the Fixed Asset Register as cable and associated equipment. The network is used both to carry calls on paths dedicated to PSTN, and to provide dedicated paths for other services, such as leased lines. Most routes have some level of sharing between PSTN and other services.

The process for apportioning transmission equipment costs takes into account, and costs individually, each of the main building blocks (cable, line equipment and multiplexors), by the various technology types of the equipment, to reflect the different cost drivers of the specific transmission requirements of particular activities. The main cost drivers are weighted transmission length and the type of transmission path, with weighting factors applied to reflect the transmission capacity utilised.

Costs are segregated into those driven by the number of links (e.g. multiplexing equipment) and those driven by the total weighted length of the link (e.g. cable) on the basis of the equipment type.

3.7.5 Optical Circuits and Systems

Optical circuits are single-use, high bandwidth length based circuits. These circuits are transported on the existing fibre and duct core network and are recorded in the TNAS and MIDAS systems. These systems are used to identify the relevant circuit type and length.

The process for allocating costs to optical circuits is based on the relative circuit length usage per service type. No bandwidth weighting is needed since these are single service use systems.

3.7.6 Underground Access cables

The underground access cables provide physical connectivity between the exchange and the cabinet and from the cabinet to the last distribution point. These cables are separately recorded in the fixed asset register as underground copper and fibre cables. Underground access copper cables are used to carry local access services such as PSTN, ISDN and DSL as well as services such as private circuits (i.e. Leased Lines and PPCs) that require dedicated paths. The main cost driver is the number of cable pairs. No copper costs are allocated to line share in order to comply with ComReg Direction D04/09, dated August 2009. Copper costs are allocated to CGA Stand-alone broadband products. Distribution (D)-Side copper costs are allocated to NGA Standalone broadband products through the relative number of workings lines.

Underground access fibre cable costs relating to NGA services are captured in a separate asset class and have been directly attributed to the NGA Network Elements.

3.7.7 Duct

The duct network provides physical underground paths as listed in section 3.7.4 above. These path types are recorded in the Fixed Asset Register as underground civils and plant. The network is used both to carry access services such as PSTN & ISDN line rental as well as services such as private circuits that require dedicated paths. It is also used to carry conveyance transmission links. The primary cost driver for duct is total duct kilometres. D04/09 requires that line share or broadband services utilising line share should not take any share of the underlying network cost that would be incurred by the PSTN line supporting the broadband service. However, in the context of NGA (which may share only sub-loops and have a separate, broadband specific fibre cable from MDF to cabinet) and stand-alone broadband (both legacy and NGA Standalone Broadband ("SABB") utilise full paths) duct cost allocations to Wholesale Broadband Access do occur.

The process for apportioning the costs of duct between the Wholesale Access Network elements and Wholesale Other Network elements is based upon a three stage engineering study. The first stage stratifies total duct kilometres into three categories; Access only, Core only and shared duct. The second stage attributes the shared duct between Access and Core on the basis of an estimate of the number of Core/Access cables in shared duct track. The final stage apportions Access duct across 4 Auxiliary Network Elements Exchange (E)-Side, Distribution (D)-Side, Customer Fibre and NGA Fibre on the basis of duct usage.

The duct apportionment is based on a representative sample of duct routes and data maintained on the Smallworld GIS database, an internal database used to record duct usage and other operational network data.

3.7.8 Overhead plant

The overhead network provides physical overhead paths as listed in section 3.7.4 above. These path types are recorded in the Fixed Asset Register as overhead poles and equipment. The network is used both to carry local access services such as PSTN and ISDN as well as services such as private circuits that require dedicated paths. It is also used to carry core transmission links. The primary cost driver for overhead plant is cable kilometres.

The process for apportioning the costs of overhead plant between the Wholesale Access Network elements and Wholesale Other Network elements is based upon a three stage engineering study. The first stage stratifies total overhead kilometres into three categories; Access only, Core only and shared. The second stage attributes the shared element between Access and Core on the basis of the number of core and access cables on shared overhead routes. The final stage apportions Core and Access overhead plant to Network Elements on the basis of cable length.

The apportionment of overhead plant is based on a representative sample of overhead plant records maintained on the Smallworld GIS database.

3.7.9 Next Generation Network (NGN) Costs

open eir's NGN network costs can be classified into two categories; the Next Generation core and network routers used to provide NGN services to customers and the transmission capacity connecting these routers.

The transmission costs include the share of duct and fibre cable infrastructure used by this network. Additionally, costs elements such as power, accommodation, network support and management overheads are also attributed to the NGN network elements.

Currently open eir's NGN network is designed to carry capacity based services over 13 regions or domains and the costs are allocated to the services supported on the network such as Wholesale Ethernet, Broadband (including multicast services) and Leased Lines.

Costs and allocations come from Aggregation, PE and Core routers separately. These costs are allocated separately to services based on the relative direct demand bandwidth capacity measured at the initial service port; the length of core network over which the particular service is carried and the quality of service ("QOS") supported. The inclusion of QOS as a metric influencing cost allocation reflects the fact that a higher guaranteed QOS places a higher demand on network resources when delivering the service.

The determination of weighting factors to reflect QOS is based on engineering rules, determined by eir's Technology, Evolution and Development division but informed by the usage of the network.

NGN is used to backhaul the NGA traffic to the Internet handoff. NGN costs are allocated to these services based on bandwidth usage and weighted by QOS in line with the existing NGN services.

3.7.10 Next Generation Access Costs (NGA)

All costs associated with NGA are captured on a specific NGA Network Element which is allocated to the NGA services within the Wholesale Broadband Market. The main NGA costs include the following:

- VDSL – cabinet-based (FTTC) and exchange-based (eVDSL)
- NGA fibre
- FTTH OTM
- Duct
- Plus related power; support and maintenance; and network management.

3.7.11 Other appropriated costs

The fully allocated costs of most appropriated network costs can be directly linked to Network Elements, with no further analysis. In other cases where apportionment of appropriated costs is required, appropriate bases are derived by reviewing the causal links of the appropriated costs.

3.8 Network transfer charges

3.8.1 Overview

The transfer charges from the Wholesale Access and Wholesale Other market groups to the Retail markets are based on equivalent, or nearest equivalent Wholesale services, charged on commercial terms, equivalent to those applicable to OAOs. Where no equivalent or nearest equivalent external service exists, the transfer charge is based upon the relative usage of Network Elements, including the applicable rate of return on the Mean Capital Employed.

3.8.2 Creation of the Wholesale Access markets account

The Wholesale Access markets are made up of revenue on access services from OAOs and the transfer charge income from the Retail markets and the cost and capital employed of all relevant Network Elements.

3.8.3 Creation of the Wholesale Other markets account

The Wholesale Other markets are made up of interconnect revenues, access to ancillary services and unregulated services such as White Label Voice and Broadband Services and repayable works orders. The revenues are from both OAO and the transfer charge income from the Retail markets and the cost and capital employed of all relevant Network Elements.

3.8.4 Creation of the Retail markets account

The Retail markets are attributed with all their income, costs, including transfer charges for their use of Wholesale market services and capital employed.

3.9 Regulatory Decisions

eircom Limited is required to ensure that the Attribution Methods documented are consistent with, and give effect to, a range of actions including directions, consents and determinations made by ComReg. This section summarises the key determinations relevant to the statements not outlined elsewhere in this document.

3.9.1 Relevant Costs

Debtors and Creditors that would arise in respect of transfer charges have been excluded from the statements and have not been included in determining the transfer charge from the Wholesale markets to the Retail markets.

Costs categorised as Exceptional in the Statutory Accounts are also excluded from the Regulated Accounts, with the exception of specific costs of an Operational nature, such as impairment of fixed assets.

3.9.2 Asset lives, Depreciation and Amortisation

ComReg have determined that for the purposes of calculating the net book value and the depreciation charge in respect of non-current assets to be used in the statements, the company must use asset lives directed by ComReg in ComReg Decision D03/09. On 11 August 2009, ComReg issued a revised set of Asset Lives to be used in the eircom Limited Regulated Accounts. These lives have been used in the Separated Accounts.

3.9.3 Treatment of Line Card

Line cards in switching equipment are required to be allocated 100% to the Local Access Network in accordance with ComReg Decision D7/01. This has been interpreted to mean that Line cards will continue to be attributed to an Access network element which shall be wholly attributed to the Wholesale Access market group.

3.9.4 Route Factors

Route factors have been calculated by open eir based on its network plan and actual traffic samples. Under D7/01 ComReg reserves the right to require amendments to these route factors where ComReg deems them not to represent 'efficient operator' route factors.

3.9.5 Recovery of Switching Costs

The allocations of core switching equipment cost between call set up and duration elements are based upon the allocations arising from the manufacturers' studies of cost components. The treatment is in compliance with current ComReg guidance.

3.9.6 Cost of Capital Employed (WACC)

The applicable Rate of Return used in these Separated Accounts is 8.18% [2014: 10.21%] as mandated by ComReg in Decision Notice D15/14 dated 18 December, 2014 [2014: Decision Notice D1/08].

4 Transfer charges

4.1 Background and overview

eircom Limited is required to prepare disaggregated Separated Accounts for its market groups: Wholesale Access, Wholesale Other and Retail. The Separated Accounts are required to be prepared on an historical cost basis using Transfer charges calculated in accordance with the following principles established by ComReg for inter/intra segment transactions:

- Transfer charges (revenues and costs) shall be attributed to Cost Components, for regulated and unregulated services, products and markets in accordance with the activities, which cause the revenues to be earned, or costs to be incurred.
- The attribution shall be objective and not intended to benefit any market (regulated or unregulated).
- The transfer charges for Intra usage (usage by the eir Retail market) shall be determined as the product of usage and unit charges. They will also incorporate relevant promotions and/or other discounts available to OAOs.
- There shall be consistency of treatment of transfer charges from period to period.
- The transfer charging methods used shall be transparent. There shall be a clear rationale for the transfer charges used and each charge shall be justifiable (with supporting calculations available).
- Three distinct scenarios can be seen for the identification of the appropriate rate to charge for these transfer charges;

    - **Scenario 1:** eir (Retail) is a consumer of services which are directly comparable to those which are available to OAOs. As an example, the Retail PSTN Access market rents lines that are directly equivalent to those purchased by OAOs. The price charged to OAOs is published under the Single Billing Wholesale Line Rental element of the Interconnect Reference Offer (RIO). When there is a directly equivalent service and a published Wholesale price, the IBU charge to eir Retail can be derived by applying the published Wholesale price to the measured retail volumes of these services. The Wholesale price also includes any discounts and/or promotional offerings that are available in the relevant period.

    - **Scenario 2:** The price open eir charges OAOs for a Wholesale service is derived on the basis of a specific Wholesale discount applied to the retail price. For example, the prices OAOs are charged for their consumption of some Leased Line services are determined on the basis of an 8% Wholesale discount applied to the price for the equivalent retail service. Further term and volume discounts can mean additional discounts of up to 13% can be applied to the price for the basic retail service. Therefore, to ensure eir (Retail) is charged on an equivalent basis for such services, the IBU charge is also calculated on the basis of a 'Retail Minus' formula by applying the Wholesale discount of 8% and additional discounts where applicable to the retail revenues. This is used for all services, such as Wholesale Leased Lines, where the Wholesale price charged to OAOs is derived on a 'Retail Minus' basis.

      In many other cases eir (Retail) consumes the same type of wholesale services as are publicly available to OAOs, but purchase these services in combinations that are not typically purchased by OAOs. In the context of higher speed leased line services, the direct wholesale equivalents used are Partial Private Circuit tariffs. For certain other data services such as Ethernet, the nearest equivalent network service has to be determined using certain assumptions due to differences between the basis of provision of the retail Ethernet service and the configuration of an equivalent wholesale service. In the Wholesale Voice area, OAOs tend to purchase distinct origination, transit and termination services, whereas eir (Retail) consumes "end-to-end" voice services which represent logical combinations of these services. In this context transfer charges are based upon the application of a "Nearest Equivalent Charge" approach. The "Nearest Equivalent" charge approach is based upon applying three broad conceptual steps:

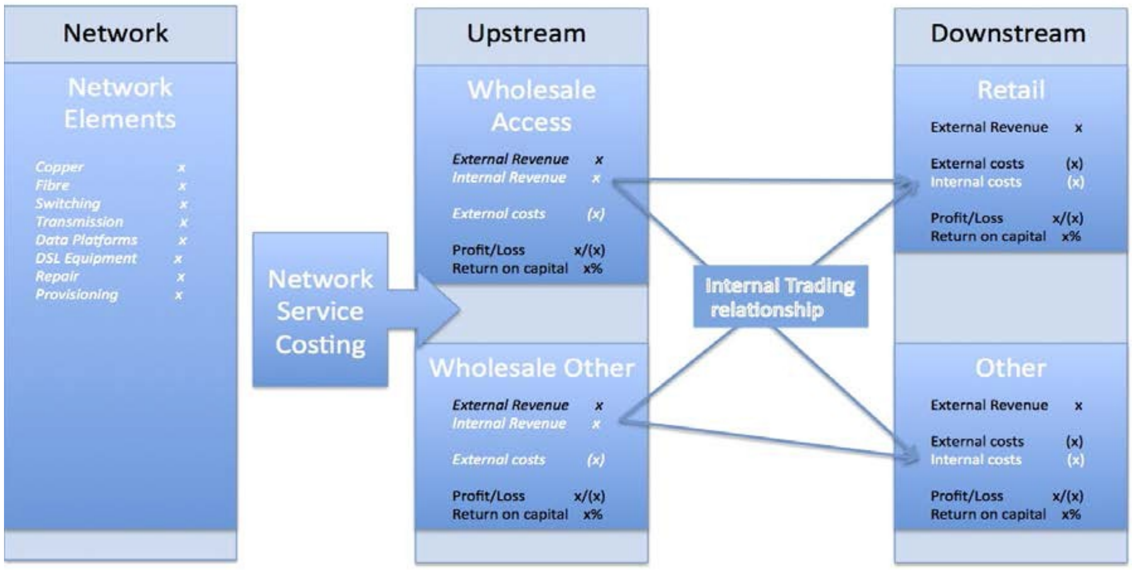
- Producing conversion factors to transform retail services into OAO equivalent services;
- Applying the conversion factors to retail volumes to generate OAO equivalent volumes;
- Applying published prices to OAO equivalent volumes to generate transfer charges.

- **Scenario 3:** In a number of limited circumstances open eir provides services to eir (Retail) for which no comparable external equivalent exists. In these cases transfer charges are based upon a "cost plus return on capital employed" basis. An example of this is the charge applied for the use of the BIP core network equipment.

In practice the effect of the above is to overlay a trading relationship between the market entities, most notably the purchase of services from wholesale markets in respect of retail products and services. Thus the Separated Accounts simulate the results that would arise if these services were being provided to independent separate entities. The statements therefore have three reporting elements:

1. Network costs – Represented by a Network Activity Statement split into "Network Elements";
2. Wholesale results – Represented by the Income statements of the Wholesale markets;
3. Retail results – Represented by the Income Statements of the Retail markets.

The key relationships between these three elements can be illustrated by the following diagram:



4.2 Transfer charges from the Wholesale Access markets

4.2.1 Principle

Charges to OAOs are based upon the prices in force in the market for the period in question. Transfer charges are based upon the derivation of internal consumption of services equivalent, or nearest equivalent, to those available to OAOs, and calculating transfer charges based upon the application of market prices to these derived volumes. As discussed above where no Nearest Equivalent Charge exists, a cost based transfer charge is used. eircom Limited produces Separated Accounts containing transfer charges based upon these calculated transfer charges for the following services:

- Fixed Line Access - Transfer charges are based on a direct wholesale equivalent – wholesale offering SB WLR for PSTN and ISDN services. The transfer also takes account of all relevant wholesale discounts and promotions as were applicable in the year.

- Bitstream - Transfer charges are based on a direct wholesale equivalent – wholesale broadband service. There are essentially three distinct broadband products, Bitstream IP; Bitstream Managed Backhaul and NGA Bitstream Plus.
    - Bitstream Internet Protocol (Bitstream IP) service is the legacy open eir Wholesale Broadband Access product and a direct wholesale equivalent is used for the eir Retail ADSL services.
    - The Bitstream Managed Backhaul ("BMB") service is only available in open eir NGN-enabled exchanges. The charges are divided into two parts – the first part is a direct wholesale equivalent for the use of specific port speeds and the second part is based on a proxy for traffic usage. An NGB usage charge per port is calculated by determining the Bitstream MB price per user based on the eir (Retail) monthly average downloads per port applied to the ratio of average downloads to 'busy hour' traffic of a nearest equivalent OAO. This charge is then applied to the Bitstream MB average line base.
    - The NGA Bitstream Plus service is only available in open eir NGA-enabled exchanges. The charges are divided into two parts – one a direct wholesale equivalent for the use of ports and the second based on traffic usage. The NGA usage transfer charge is determined from the eir (Retail) monthly 'busy hour' traffic usage priced at the relevant NGA Bitstream Plus usage rate applied to the average NGA line base.

- Leased Lines - The construction of transfers to the Retail leased lines and data products represent a mix of approaches. In the case of Ethernet and Next Generation Services the transfer uses the wholesale equivalent products known as Wholesale Symmetrical Ethernet Access (WSEA) or Wholesale Ethernet Interconnect Link ("WEIL"). Leased Line services are generally based on direct equivalents using wholesale leased line tariffs calculated on retail minus charging structure or Partial Private Circuits in appropriate cases.

4.2.2 Volumes and usage data requirements

The system used to calculate the transfer charges and produce the Separated Accounts contains non-financial data, including detailed analysis of service volumes and network usage data. The main classes of information have been summarised below:

- Wholesale Access Usage charges:
- Volumes by retail product/services;
- Translation of retail products into OAO equivalent, or nearest equivalent, wholesale products/services consumed over the period;
- Derivation of the average OAO service/product prices in the period;
- Calculation of total transfer charge as a product of these prices and volumes.

4.2.3 Calculation of the Wholesale Access markets transfer charges to Retail markets

Calculated network service charges form the basis of the Wholesale Access market transfer charges to the Retail markets. In addition to the direct transfer charges certain access services are utilised by Retail staff for the purposes of supporting general retail operations e.g. PSTN lines and Retail ADSL lines. In order to account for this "Own Use" a transfer charge is levied against the Retail market at the same rate as the direct charges. This charge is apportioned across Retail market segments using a cost based driver.

4.3 Transfer charges from the Wholesale Other markets

4.3.1 Principle

As with the Wholesale Access market, charges to OAOs are based upon the prices in force in the market for the period in question. Transfer charges are based upon the derivation of internal consumption of services equivalent to those available to OAOs, or using a nearest equivalent[1]. eircom produces Separated Accounts containing transfer charges based upon these calculated transfer charges for the following services:

- Wholesale Call Conveyance - transfer charges are derived on the basis of network denominated standard services which are consumed by Retail and other on-net calls. Standard services are deemed as the nearest wholesale equivalent and its unit charges are derived from the RIO rates. Further details are set out below in section 4.3.3.

- Wholesale Residual (Regulated) services, such as voicemail and call managed services – these transfer charges are based on the equivalent wholesale price by the retail volumes in the year.

- Wholesale Residual (Unregulated) services
  - International access transfer charges are calculated based on the rates per the Commercial Interconnection Service Price List (CISPL). These rates are equivalent to those charged to Meteor and other OAOs as appropriate.
  - Other unregulated wholesale products and services that are consumed by eir (Retail) are charged on the basis of cost plus the regulated rate of return as there is neither a wholesale equivalent nor a nearest wholesale equivalent that can be used. The main component of this is the charge applied for the use of the BIP core network equipment by the BIP Retail services.

4.3.2 Volumes and usage data requirements

The system used to calculate the transfer charges and produce the Separated Accounts contains non-financial data, including detailed analyses of service volumes and network usage data. The main classes of information have been summarised below.

- Standard network usage patterns across the network (such as potential voice paths)
- Standard "usage" of OAO equivalent, or nearest equivalent, services for each usage pattern
- Retail volumes by product/service
- Usage factors by Network Element by retail product/service (such as voice route factors)

[1] In the situation where there is no nearest equivalent service from which to derive a transfer charge from Wholesale the Fully Allocated Cost (FAC) of the service being provided is used to calculate the transfer charge.

4.3.3 Calculation of the Wholesale Other markets transfer charges to the Retail market

Calculated wholesale service charges form the basis of Wholesale market transfer charges to the Retail markets. eir's (Retail) translated route factors and volumes are applied to the derived wholesale charges to calculate its transfer charge.

Transfer charges are therefore calculated in three stages:

- Derive the wholesale prices of equivalent or nearest equivalent services
- Translate retail volumes into their (nearest) equivalent wholesale service volumes by market using the relevant usage factor methodology.
- Apply the wholesale price to these volumes to calculate applicable transfer charges.

Transfer charge example – Call Conveyance

Stage 1 - Derive wholesale price of equivalent or nearest equivalent services

The average market price for the equivalent service is derived, by examination of the relationship between the market prices of the combined interconnection services and their underlying equivalent services. Three distinct service elements exist in this context:

1. Service elements which directly accord with published interconnection services, whose price can be directly extracted from the price list;
2. Service elements identified as being consumed by both eir (Retail) and OAOs but in a different form to the structure of the published price list, such as call termination. In these cases relevant prices have been derived by segmenting the market price into relevant (nearest) equivalent services;
3. Elements which, although using similar network equipment, are not consumed by OAO services. For these elements the price to be applied is derived by the examination of the underlying costs of the element from the Wholesale call conveyance pricing model[1].

Stage 2 - Derive equivalent service volumes

(a) Derive potential route paths through the conveyance network for service types;
(b) Specify Standard services in terms of their network element usage;
(c) Apply (a) & (b) in order to derive the average number of standard service per route path type;
(d) Application of weighted average standard service usage factors per route factors study;
(e) Map individual calls to route paths;
(f) Summarise route factor information into proportion of each retail service associated with each route path type;
(g) Multiply Standard service by route path spread for each retail service, by retail service volumes in order to derive total standard service volume consumed for each retail service.

[1] The Wholesale call conveyance pricing model referred to is the one used to support the external Wholesale call conveyance prices in place in the period.

Stage 3- Derive transfer charges

Apply the standard service price to the standard service volume by retail service in order to derive total transfer charge attributable to each retail market from each wholesale market.

The above example is specific to a conveyance service.

The calculation for non-conveyance services operates in a similar, but less complex manner.

Numerical Examples

The examples below describe how wholesale charges are levied to the Retail business. The figures included are only for illustration purposes and do not deal with all categories of IBU charge in the financial statements or include the actual rates at which the relevant IBUs are determined.

Numerical Example 1 - Retail Broadband Access Rental

For each broadband service sold by eir (Retail), the equivalent wholesale offering is defined. Bitstream and other relevant monthly rental prices are extracted from open eir's BARO.

The IBU charge is calculated by taking the average line volume in the month (based on the volumes at the beginning and end of the month) for the relevant retail product by the relevant wholesale monthly price as per the BARO. For example, if the volume of Bitstream lines in the month was 50,000 lines and the Bitstream monthly price was €20 per line, the resulting IBU charge to Retail would be €1 million in the month.

In the case of Retail products which have a Managed Backhaul Bitstream equivalent where the prices are charged separately for access ports and data usage, eir uses a Retail average traffic usage to calculate the IBU charge. In this case, if the volume in the month was 50,000 lines and the relevant price was €10 for the port and €30 per 1megabyte per second of usage, and Retail average data traffic in the month was measured at 100 kilobyte per second (kbps), the IBU charge per line would be €13 (€10+(€30*100/1000)) and hence the total IBU charge to Retail would be €650,000.

Also relevant in computing the IBU charge are the promotions offered by Wholesale to OAO which are published in the BARO and which are deemed to be available also to Retail. For example, if a data usage promotion was available to OAO in the same month where by the usage price was €20 per 1megabyte per second of usage for usage greater than 80 kbps the IBU charge per line would reduce to €12.8 being (€10+(€30*80/1000) + (€20*20/1000)) and hence the total IBU charge to Retail would be €640,000.

Numerical Example 2 – National Leased Lines <155Mb Rental

National Leased Lines less than or equal to 155Mbps have IBU charges calculated by applying the "Retail Minus" price control mechanism in place to regulate access by OAO to Wholesale Leased Lines.

For illustration we assume the price control mechanism to be set at 8% of the Retail price. Hence, if the Retail revenues for 2 megabytes National leased lines were €1,000,000 in the year the IBU charge would be €920,000 (€1,000,000 – 8%*€1,000,000).

In addition, terms and volume discounts in the period are also granted to Retail on similar conditions as those available to OAO. For example, if a discount of 5% was warranted based on the Retail revenues generated in the year, the IBU charge would be €870,000 (€1,000,000 – (8%*€1,000,000) – (5%*€1,000,000)).

4.4 Other intra-eircom Limited transfer charges

eircom Limited's markets can sell services to each other. The basis on which charges are made from the Wholesale markets to the Wholesale and Retail market groups is set out in sections 4.1 to 4.3 above. An example of this is the transfer charges calculated by the internal consumption of wholesale call conveyance services by open eir's White Label Services[1]. Wholesale transfer charges use the same methodology as used when calculating the transfer to eir (Retail) markets.

For all other inter-market sales, the transfer charges are, as required by ComReg's Decision Notices, set to ensure no preferential treatment is given to services traded within eir, set at a rate equivalent to the charge that would be levied if the product/service were sold externally rather than internally. As an example, the Retail Other market levies a charge upon the Wholesale Residual (Regulated) market for revenue earned in respect of its Directory Enquiries / PRS customers, whose fees have been collected by Wholesale.

4.5 Reporting of transfer charges

The Separated Accounts record transfer charges as specified above as:

- Revenue in the Wholesale markets generated from transfer charges to eir Retail market group, for their use of the network;
- Revenue in Wholesale Other markets from Wholesale Other market group;
- Operating costs in the charged market such as the Retail market group.

The Retail market group purchases from the Wholesale markets are analysed in the general form described within the pro forma Separated Accounts as set out in the Decision Notices.

[1] This service is reported within the Wholesale Residual (Unregulated) market.

5. Accounting Policies

The significant historical cost accounting policies adopted by eircom Limited are set out below.

5.1 Basis of preparation

The Separated Accounts are prepared in accordance with the Accounting Documentation in the order of priority:

- The Regulatory Accounting Principles
- The Attribution Methods
- The Transfer Charges
- The Accounting Policies

The Separated Accounts are required to give primacy to Regulatory Decisions.

eircom Limited's Statutory Financial Statements which form the basis of the Separated Accounts are prepared in accordance with the historical cost convention. Land and Buildings, which were previously revalued on 31 December 2003, were frozen at deemed cost, based on their fair values at 1 April 2004 under IFRS 1 transition rules.

The Separated Accounts for the year ended 30 June, 2015 have been prepared based on the Statutory Financial Statements and prepared in accordance with IFRS, as adopted by the European Union. The Statutory Financial Statements are prepared on a going concern basis.

The Separated Accounts are prepared by disaggregating balances recorded in the general ledgers and other accounting records of eircom Limited and its subsidiaries (the "eir Group", the “group”) maintained in accordance with the Companies Acts 2014 (the “Act”) and used, in accordance with the Acts, for the preparation of the Company's statutory consolidated financial statements for the year ended 30 June, 2015 ("the Statutory Financial Statements").

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.

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.

5.2 Going Concern

The Statutory Financial Statements and the Separated Accounts have been prepared on the going concern basis, which assumes that the eir Group will be able to continue in operational existence for the foreseeable future.

The Statutory Financial Statements were approved on 27 August, 2015 and management's assessment of the group's ability to continue as a going concern as of that date is set out below. The assessment reflects the financial position of the group at 27 August, 2015 and no updated assessment has been performed for the purposes of the Separated Accounts.

Statutory Financial Statements – Going Concern Assessment

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

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 that the eircom Holdings (Ireland) Limited, of which the group is a member, is expected to comply with its financial covenants, for the foreseeable future.

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.

5.3 Basis of Consolidation

The consolidated financial statements of the eir Group comprise a consolidation of the financial statements of the company, eircom Limited, and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of the company 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 on the legal structure of the joint arrangement.

The group holds 56% of the equity share capital in Tetra Ireland. However, the group's interest in Tetra Ireland 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 interest is accounted for 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 recognized as a reduction in the carrying amount of the investment.

When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognize 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.

(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.

The group's share of its associates' profit or losses and the mean capital employed attributable to associate undertakings is excluded from the Separated Accounts and appears as a reconciling item in the reconciliation statement in the Financial Statements.

(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 in the statutory financial statements. 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.

5.4 Goodwill

Goodwill is excluded from the regulatory allocation model and appears as a reconciling item in the reconciliation statement in the Separated Accounts.

5.5 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 eir 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. 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 (years) have been assigned to intangible assets:

	2015 **Years**
Computer software	3 – 4
Mobile licenses (paid to government)	15-18.5[(1)]

[(1)] Mobile licences are amortised up to the date 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.

Any element of intangible assets arising solely as a result of purchase price allocations on acquisition are excluded from the regulatory costing model and appear in the reconciliation statement in the Separated Accounts.

5.6 Revenue Recognition

External 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 eir Group’s activities. Amounts disclosed as revenue are net of discounts and value added tax. Total revenue includes sales by group entities but excludes all inter-company sales.

Revenue included within individual markets includes revenue from other markets and subsidiaries in the Separated Accounts where appropriate and also includes revenue derived from transfer charges which is discussed in detail in Section 4.

The group recognises externally generated revenue when the amount of the revenue can be reliably measured, 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 eir 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. Certain externally generated Retail and Wholesale 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. There is no deferral of Revenue on transfer charges in respect of connections.

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.

Mobile 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.

5.7 Exceptional Items

In the statutory financial statements, the eir Group has adopted an income statement format which seeks to highlight significant items within the group results for the year. The group believes that this presentation provides additional analysis as it highlights one-off items. Such items include, where significant, curtailment gains and negative past service costs in respect of pensions; charges in respect of certain restructuring charges; management incentive plans; impairment of surplus properties; onerous contracts; reinstatement/dilapidation provisions and movements in provisions for the expected cash outflows under financial guarantees. 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.

Exceptional gains and losses and related MCE balances are generally excluded from the Separated Accounts, except where specifically identified for inclusion. The excluded gains or losses and related MCE appear in the reconciliation statement of the Separated Accounts. Gains and losses on disposal of assets and certain impairment charges have been included in the Separated Accounts.

5.8 Amounts Paid and Payable to Other Operators

Amounts paid and payable to other operators are mainly settlement fees that the eir 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.

5.9 Customer Acquisition Costs

The eir 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.

5.10 Foreign Currencies

Functional and presentation currency

Items included in the financial statements of each of the eir 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.

eir Group entities

The results and financial position of all the eir 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 in the statutory financial statements and are therefore effectively excluded from the Separated Accounts.

5.11 Taxation

Current and deferred tax is excluded from the regulatory costing model and appears in the reconciliation statement in the Separated Accounts.

5.12 Financial Instruments

(i) Borrowings

In the statutory financial statements, all borrowings are initially stated at the fair value of the consideration received after deduction of issue 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 eir 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 at the balance sheet date.

Borrowings and related finance costs are excluded from the regulatory costing model, except to the extent that the borrowings relate specifically to the funding requirements of individual businesses or assets. Any overdraft balances are included in the Separated Accounts.

(ii) Derivative financial instruments

The fair value of a derivative financial instrument and the resulting gains or losses are excluded from the regulatory costing model and appear in the reconciliation statements in the Separated Accounts.

(iii) 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 debtors in the Separated Accounts.

5.13 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, comprises expenditure including contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Land and buildings are stated at a deemed cost. Land and buildings, which were previously revalued on 31 December 2003, were frozen at deemed cost, based on their fair values at 1 April 2004, under IFRS 1 transition rules.

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. As discussed at Section 3.9.1 above, the estimated economic lives, from the date the asset is available for use assigned to property, plant and equipment, are as directed by ComReg in D08/09 and not the asset lives used to prepare the Statutory Financial Statements.

The estimated economic lives assigned to property, plant and equipment directed by ComReg in respect of the year ended 30 June, 2015 are as follows:

Asset Class	Estimated Economic Life (Years)
Buildings	40
Network Plant	
Transmission Equipment	
- Duct	40
- Poles	30
- Overhead cable/poles	15
- Underground cable	20
- Other local network	8-20
Exchanges:	
- Exchange line terminations	8
- Core hardware/operating software	5-10
Others	4-25

The eir Group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an on-going 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.

5.14 Impairment of Non-Financial Assets

Assets that have an indefinite useful life, principally goodwill and intangible assets not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, a 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. Impairment losses in respect of goodwill and certain other intangibles arising on acquisition are excluded from the regulatory allocation model and appear as a reconciling item in the Separated Accounts.

Non-financial assets, other than goodwill, that suffered 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.

5.15 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. There are no finance lease liabilities or related interest charges included in the Separated Accounts as at and for the years ended 30 June, 2015 or 30 June, 2014.

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.

5.16 Inventories

Inventories comprise mainly of 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 eir 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.

5.17 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 eir 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 uncollectable, 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 assets 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.

5.18 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.

5.19 Indefeasible Rights of Use (IRU)

The eir 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.
(iii) IRUs are included in the regulatory model and are allocated to the Wholesale Residual Unregulated market.

5.20 Employee Benefits

(i) Pension obligations

eir Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to an independent trustee-administered fund. The group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the eir 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.

The amounts of current service cost and net interest recognised in the income statement are computed based on actuarial assumptions at the start of the financial year.

The charge included in the Separated Accounts in respect of pension costs is the actual amounts payable for the group's defined contribution schemes and the current service charge (determined in accordance with IAS 19 Revised), less pension amounts capitalised and including the costs of administrating the plan, for the group's defined benefit schemes. The current service charge represents the actual cost of meeting the group's pension obligations over employees working lives and excludes the impact of related finance income and costs, which are excluded from the Separated Accounts. 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 pension asset and additional charges or credits representing the amounts determined in accordance with IAS 19 Revised "Employee Benefits" have been excluded from the statement of Mean Capital Employed.

Pre 1 January 1984, past-service costs are the responsibility of the Irish Minister for Finance

(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 to 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.

Costs in respect of long term incentive arrangements classified as exceptional costs in the year ended 30 June, 2015 and related MCE balances have been excluded and appear in the reconciliation statements in the Separated Accounts.

(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.

The cost of termination benefits and related provisions are excluded from the Separated Accounts and appear in the reconciliation statements in the Separated Accounts.

5.21 Provisions

A provision is recognised when, and only when (a) the eir 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. Provisions for restructuring costs are excluded from the Separated Accounts and appear in the reconciliation statements in the Separated Accounts.

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.

Where a provision relates to an excluded exceptional cost item, the provision is also excluded from the Separated Accounts and appears in the reconciliation statements in the Separated Accounts.

5.22 Financial Guarantee Contracts

The liability in the statutory financial statements are initially measured at fair value in respect of financial guarantees, issued by the eir 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.

Costs and liabilities in respect of financial guarantee contracts are excluded from the regulatory costing model and appear in the reconciliation statement in the Separated Accounts.

5.23 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 eir Group or a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) 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 Statutory 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 or company 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.

5.24 Dividend Distribution

Final dividend distributions to equity shareholders are recognised as a distribution in the eir Group's statutory 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 Statutory Financial Statements in the period in which the dividends are paid.

Dividends paid and payable are excluded from the regulatory costing model and appear in the reconciliation statement in the Separated Accounts.

6. Appendices

6.1 open eir Network Elements

The following table lists each of open eir's Network Elements with a description of the network function that they cover. It should be noted that costs included in the Separated Accounts for these elements will include both the direct costs associated with these functions and the indirect costs and overheads which have been associated with these functions during the accounting separation process.

Category	Element	Definition & Allocation Basis
Local Loop	Copper Access Network	Represents the copper and duct utilised in the provision of narrowband access and other copper based access services. Main cost categories include copper cable, duct and poles and related preventative maintenance and network support costs. Allocates to services based on usage of copper access lines.
	Fibre/High Speed Access Network	Contains all local loop fibre assets and associated duct costs, plus some costs for electronics associated with high speed services, such as high speed data & leased lines services. Allocates to services based on usage of fibre access lines.
	NGA	Contains the investment in NGA infrastructure for both cabinet-launched and exchange-launched VDSL as well as FTTH including, duct, sub duct, cabinets, in-exchange costs, fibre cables and network support systems and allocates to Bitstream Plus Rental and eFibre services based on service volumes.
	DSL Equipment	Represents the ASAM/DSLAM equipment, its maintenance and overhead costs associated with the provision of broadband services. Allocates to Bitstream and NGB services based on service volumes.
	Other Access Equipment	Consists of customer and the share of exchange sited equipment associated with the provision of leased lines and ISDN PRA services. Allocates to ISDN and PRA services based on equipment type and service volumes.
	Provisioning	Comprises the appropriation codes and CMA activity costs related to installing, modifying and removing narrowband, broadband and data access circuits, excluding works within customer premises beyond the first point of service i.e. master socket or modem. Allocates to service on the basis of appropriation or activity code, as applicable.
	Repair and Maintenance	Comprises the appropriation and CMA activity costs related to reactive maintenance of all narrowband, broadband and data access services, excluding works within customer premises beyond the first point of service i.e. master socket or modem. Allocates to service on the basis of activity code.

Category	Element	Definition & Allocation Basis
Line Sensitive Exchange	Subscriber Unit	Represents exchange line equipment within remote and co-located subscriber units up to and including the share of the common infrastructure deemed to be driven by the number of installed lines. Allocates to PSTN and ISDN WLR services based on volumes weighted to reflect relative cost of equipment.
Call Sensitive Exchange Costs	Subscriber Unit	Represents the share of exchange equipment within remote and co-located subscriber units' excluding line cards, deemed to be driven by the number of calls. Allocates to call markets based on call volumes weighted by routing factors.
Call Sensitive Exchange Costs	Parent Switch	Represents the element of exchange equipment within core network switches upon which customer lines are parented. Deemed to be driven by the volume of calls. Allocates to call markets based on call volumes weighted by routing factors.
Call Sensitive Exchange Costs	Gateway Switch	Represents the element of exchange equipment within core non-parent gateway switches deemed to be driven by the volume of calls. Allocates to call markets based on call volumes weighted by routing factors.
Traffic Sensitive Exchange Costs	Subscriber Unit	Represents the share of exchange equipment within remote and co-located subscriber units excluding line cards, deemed to be driven by the volume of traffic minutes. Allocates to call markets based on minute volumes weighted by routing factors.
Traffic Sensitive Exchange Costs	Parent Switch	Represents the element of exchange equipment within network switches upon which customer lines are parented, deemed to be driven by the volume of traffic minutes. Allocates to call markets based on minute volumes weighted by routing factors.
Traffic Sensitive Exchange Costs	Gateway Switch	Represents the element of exchange equipment within non-parent gateway switches deemed to be driven by the volume of traffic minutes. Allocates to call markets based on minute volumes weighted by routing factors.
Other Exchange Costs	Interconnect Equipment	The cost associated with exchange ports utilised for the provision of interconnect to OAOs, including overheads from maintenance, power etc. Allocates to interconnect links and related services.
	Intelligent Network	Represent the cost of special service exchanges used to perform intelligent network functions. Allocates to call markets based on weighted call volumes.
	Other Switching Elements	Represents the exchange costs associated with fixed SMS and voicemail platforms. Allocates to related services on the basis of usage statistics.

Category	Element	Definition & Allocation Basis
	IMS	Represents the costs associated with open eir's IMS platform which came into use in the year ended 30 June, 2014. These costs have been allocated to Wholesale Residual Unregulated in the 30 June, 2015 accounts and represent cost based charges made to users of the platform.
Non-Length Dependent Transmission	PSTN: RSU to Parent Link	Represents the proportion of core transmission equipment utilised in the provision of voice connectivity between Remote Subscriber Units and parent exchanges. Allocates to call markets based on weighted minute volumes.
	PSTN: Parent to parent link	Represents the proportion of core transmission equipment utilised in the provision of voice connectivity between directly connected parent exchanges. Allocates to call markets based on weighted minute volumes.
	PSTN: Parent to gateway link	Represents the proportion of core transmission equipment utilised in the provision of voice connectivity between parent exchanges and gateway exchanges. Allocates to call markets based on weighted minute volumes.
	Interconnect link	Represents the proportion of core transmission equipment utilised in the provision of Customer Sited and In-Span Interconnection links. Allocates to interconnect links and related services.
	Data incl leased lines link	Represents the proportion of core transmission equipment utilised in the provision of connectivity between relevant data nodes for the ATM, Business IP and leased lines network platforms. Allocates to related data services on the basis of usage statistics.
	DSL transmission link	Represents the proportion of core transmission equipment utilised in the provision of connectivity to backhaul traffic from DSLAM locations to open eir/OAO PoPs (Points of Presence). Allocates to broadband services on the basis of usage statistics.
	Other data link	Represents the proportion of core transmission equipment utilised in the provision of connectivity between relevant data nodes for the ATM and Business IP network platforms. Allocates to data services on the basis of usage statistics.
	NGN Link	Includes the costs of NGN routers and the transmission equipment used to connect these routers across the core network. Main cost categories comprise routers, transmission equipment and related maintenance and network support costs. Allocates to NGN based services such as Ethernet, Next Generation Broadband: Next Generation Access and Bitstream based on usage statistics.

	Other transmission link	Represents the proportion of core transmission equipment utilised in the provision of connectivity for services not listed above, largely ISDN PRAs, International backhaul links and the Access Core Transmission Network Elements. Allocates to related services on the basis of usage statistics.
Length Dependent Transmission	PSTN: RSU to parent length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of voice connectivity between Remote Subscriber Units and parent exchanges. Allocates to call markets based on weighted minute volumes.
	PSTN: Parent to parent length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of voice connectivity between directly connected parent exchanges. Allocates to call markets based on weighted minute volumes.
	PSTN: Gateway to gateway length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of voice connectivity between directly connected gateway exchanges. Allocates to call markets based on weighted minute volumes.
	Interconnect length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of Customer Sited and In-Span Interconnection links. Allocates to interconnect links and related services.
	PSTN Other (IN & Op Svces) length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of connectivity between gateway exchanges, for the Special Service Exchanges, and connectivity of links for the operator services platform. Allocates to related services on the basis of usage statistics.
	Data incl leased lines length	Represents the proportion of core transmission duct and fibre utilised in the provision of connectivity between relevant data nodes. Allocates to related data services on the basis of usage statistics.
	DSL transmission length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of connectivity to backhaul traffic from DSLAM locations to open eir/OAO PoPs. Allocates to broadband services on the basis of usage statistics.
	Other data length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of connectivity between relevant data nodes for the ATM and Business IP network platforms. Allocates to data services on the basis of usage statistics.

	NGN length	Includes the costs of transmission length based infrastructure used to connect NGN routers across the core network. Main cost categories comprise duct, fibre cables, DWDM and related maintenance and network support costs. Allocates to NGN based services such as Ethernet, Next Generation Broadband: Next Generation Access and Bitstream based on usage statistics.
	Optical Circuits	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision single use, high bandwidth circuits.
	Other transmission length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of connectivity for services not listed above, largely ISDN PRA's, International Backhaul Links, and the Access Core Transmission Network Elements. Allocates to related services on the basis of usage statistics.
Data Platform costs	Data leased lines	Represents leased line platform costs, including Dassnet and Martis. Allocates to related data services on the basis of usage statistics.
	Data Other	Represents data platform costs for the Business IP, ATM and Legacy Ethernet Platforms. Allocates to related data services on the basis of usage statistics.
Other Network Elements	Outpayments	Represents payments to OAOs and foreign carriers for the termination of offnet calls. Allocates to individual services on the basis of the analysis of General Ledger codes and nature of underlying cost.
	Carrier Administration	Consists of the appropriation and CMA activity costs of performing the CRM function with OAOs and overseas carriers, excluding billing. Allocates to services on the basis of the underlying activity codes.
	Carrier Billing	Consists of the appropriation, CMA activity and billing system costs associated with the production distribution and collection of carrier bills. Allocates to services on the basis of the underlying activity codes.
	Other SMP Elements	Consists of all other network costs not associated with the above Network Elements utilised in the provision of regulated wholesale services including repayments costs for LLU products RLA/RLB and Internet Access equipment. Allocates to related services on the basis of usage statistics.
	Non-SMP Elements	Consists of all other network costs not associated with the above Network Elements utilised in the provision of unregulated wholesale services, mainly repayable works orders, international carriers and unregulated network platforms such as BIP. Allocates to related services within Wholesale Residual Unregulated on the basis of usage statistics.

6.2 Functional Cost Categories

Category	Definition
Cost of Sales	Consists of all direct cost of sales, including Outpayments, Commissions and CPE (Customer Premises Equipment).
Product Development and Management	Consists of the costs involved in developing and delivering a fully managed set of products and services to customers.
Marketing and Sales	Consists of the costs of all eir marketing and sales activities, including advertising, direct marketing and CRM.
Repairs and Maintenance	Consists of all preventative maintenance & reactive repairs to open eir infrastructure.
Finance	Consists of the costs involved in the Financial Planning, Cash Flow Management and the provision of Stakeholder Information.
Installation/Provisioning	Consists of the costs involved in the providing of products and services to customers.
Network Support	Consists of the costs of developing and maintaining a network, to construct Network Elements in line with design specification and integrate with the existing network and to proactively manage network performance and data.
General Management	Consists of the costs involved in organisation planning, organising, control and leadership.
Accommodation	Represents all costs associated with operating eir's property and accommodation.
Information Technology	Consists of all costs associated with operating eir's inventory of IT assets and software, excluding specialist network electronics and associated software.
Transport	Consists of the costs of operating eir's vehicle fleet.
Personnel and Administration	Consists of the costs of the Human Resources function, including the planning and managing of eir's resource requirements.
Other Operating Expenses	Consists of any eir operating costs which do not fall under any of the above definitions.
Credit Management and Billing	Consists of the costs of managing credit for all products and services to customers, including any bad debts incurred.
Depreciation	Consists of depreciation on all eir fixed assets.
eir Group/meteor Operating costs	Represents all operating costs incurred by other subsidiaries with the eir Group of companies, including meteor.