



Historical Cost
Separated Accounts
for the Year ended 30th June 2014
Financial Statements

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Introduction

eircom Historical Cost Separated Accounts

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) (respectively “the Framework Regulations”, “the Access Regulations” and the “Universal Service Regulations”) establish the framework for the regulation of the provision of electronic communications networks and services in Ireland. Under this framework, 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 impose on such operators a range of obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Universal Service Regulations, a requirement for accounting separation and cost accounting. eircom 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 Historical Cost Separated Accounts for the year ended 30 June 2014 were prepared in accordance with this requirement and the detailed framework and financial statements requirements set out in the following ComReg Decision Notices (the 'Decision Notices'):

- Decisions No. 6, 8.1, 8.2, 8.4, 8.6, 8.9 and 8.11 set out in Decision Notice D7/01 'eircom's Reference Interconnection Offer & Accounting Separation and Publication of Financial Information for Telecommunications Operators", dated April 2001
- D3/03 'Review of the Price Cap on certain Telecommunications Services', dated February 2003
- D1/08 'eircom's cost of capital", dated May 2008

- D03/09 'Review of regulatory asset lives of eircom Limited', dated August 2009
- D04/09 'Rental Price for shared access to the Unbundled Local Loop Decision', dated August 2009
- D08/10 'Accounting Separation and Cost Accounting Review of eircom Limited', dated 31 August 2010

The Financial Statements have been prepared in accordance with the framework and financial statement disclosures set out in these Decision Notices, insofar as they apply to the year ended 30 June 2014.

Financial Statements have to be prepared for the Market Groups and, where applicable, 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 & Other	PSTN & ISDN Access Retail Other

The full definition of the Market Groups and individual markets are set out in section 2 of the Primary Accounting Document..

Introduction

The Historical Cost Regulatory Separated Accounts (“Separated Accounts”) are prepared in accordance with the Accounting Documents, where the Accounting Documents means the Primary and Secondary Accounting Documents, as appropriate. The Primary Accounting Documents set out the framework under which the statements have been prepared.

The Primary Accounting Documents are made up of the following:

- Regulatory Accounting Principles - which lay out the general rules by which the Separated Accounts should be prepared, for example that all balances should be attributed with reference to cost causality.
- Attribution Methods - which explain how revenue, costs including transfer charges, assets and liabilities are attributed to the Markets, Network Elements and Activities within those Market Groups, following the Regulatory Accounting Principles, on a fully allocated basis.
- Transfer Charges – which explain how charges are raised between the markets.
- Accounting Policies - which detail the accounting policies adopted in preparing the underlying financial information.

For clarification, the Primary Accounting Documents contain the high level principles of attribution.

The procedures describing how these principles are applied are contained in the Secondary Accounting Documents, which identify these procedures in detail. The Secondary Accounting Documents are provided privately to ComReg, in accordance with the requirements of D08/10.

This introduction does not form part of the Accounting Documents.

Applicable Rate of Return

The applicable Rate of Return used in these Separated Accounts is 10.21% (2013: 10.21%). The annual Rate of Return was mandated by ComReg in D1/08.

Basis of preparation of the Separated Accounts

The structure of the Regulatory Separated Accounts required under the Decision Notices does not correspond to the way in which the group 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.

These Separated Accounts are prepared by attributing the balances in eircom’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 either a Market or Network element using information recorded within eircom’s accounting records and are directly attributed to that item. Where no such direct attribution is possible, the revenue, costs, assets and liabilities are apportioned between two or more Activities, Network Elements or Markets on a basis that reflects the causality of the revenue, cost, asset or liability. 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 the Attribution Methods section within the Accounting Documents.

Introduction

Typically, in a fully allocated accounting system, a number of attribution methods are available. In selecting financial attribution methods and appropriate non-financial data for use within the attribution models employed in the production of the Separated Accounts, eircom has had to make certain estimates and exercise its judgement, having regard to the regulatory principles, including cost causality and objectivity, in order to comply with the requirements of the relevant directions.

Certain non-financial data used in the preparation of these Separated Accounts has been derived using sampling techniques appropriate to that data. eircom will continue to review and update attribution methods on an ongoing basis and, where deemed appropriate, will make necessary improvements.

The financial data included in these Separated Accounts are presented in thousands, and have been subject to rounding adjustments and, as a result, the totals of the data in this document may vary slightly from the information presented in this document or the actual arithmetic totals of such information.

Statement of Director's Responsibilities for the Separated Accounts

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) (respectively "the Framework Regulations", "the Access Regulations" and the "Universal Service Regulations") establish the framework for the regulation of the provision of electronic communications networks and services in Ireland.

Under this framework, 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 impose on such operators a range of obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Universal Service Regulations, a requirement for accounting separation and cost accounting. eircom has been designated with SMP in a number of markets and in each case is subject to obligations of accounting separation and cost accounting. ComReg Decision D08/10 of 31 August 2010 specifies the manner in which eircom must meet its obligations of accounting separation and cost accounting. The directors are responsible for preparing the Historical Cost Separated Accounts which present fairly, in accordance with the Decision D08/10 and all relevant ComReg Directions, the results, mean capital employed and costs incurred by the company and for each of the relevant markets.

The Historical Cost Separated Accounts for the year ended 30 June 2014 were prepared in accordance with Decision Notice D08/10. Each financial statement includes:

- an income statement;
- a statement of mean capital employed;
- a statement of costs (if applicable); and

- a statement of costs of network services (if applicable)

Each Statement is prepared in accordance with the Accounting Documents published with these financial statements. Insofar as there is any inconsistency between any or all of the Accounting Documents, the company ensures that each financial statement is prepared in accordance with the Accounting Documents in the following order of priority:

- the regulatory accounting principles;
- the attribution methods;
- the transfer charges; and
- the accounting policies;

Each financial statement is reconciled with the Annual Report and that reconciliation is demonstrated and explained.

eircom confirms that the Financial Statements for the year ended 30 June 2014 have been prepared in accordance with the requirements of the governing legislation

Richard Moat

Chief Executive Officer
On Behalf of the Board
30 November 2014

Report of the Independent Auditors to eircom and ComReg

Report of the Independent Auditors to eircom Limited, (the “Company”) and the Commission for Communications Regulation (“ComReg”) issued in accordance with the Final Direction and Decision “Accounting Separation and Cost Accounting Review of eircom Limited” (“The Decision Instrument”) issued on 31 August 2010.

1. We have audited the Separated Accounts for the year ended 30 June 2014 which comprise:
 - the Consolidated Income Statement and Consolidated Statement of Mean Capital Employed on pages 9 and 10;
 - the Income Statements and Statements of Mean Capital Employed in respect of markets (the “Market Financial Statements”);
 - the Statement of Average Costs and Revenues for Wholesale Fixed Narrowband Access, Wholesale Unbundled Access, Wholesale Broadband Access, Wholesale Leased Lines, Wholesale Call Origination, and Wholesale Call Termination, on pages 13 to 16 and pages 19 and 20;
 - the Statement of Costs on page 23;
 - the Network Cost Market Summary on page 25; and
 - the Notes to the financial statements on pages 27 to 30.
2. The Market Financial Statements comprise the following statements for the year ended 30 June 2014:
 - The Wholesale Access Income Statement and Statement of Mean Capital Employed on pages 11 and 12, including the Income Statements for the Wholesale Access Markets;
 - The Wholesale Other Income Statement and Statement of Mean Capital Employed on pages 17 and 18 including the Income Statements for the Wholesale Other Markets; and
 - The Retail Income Statement and Statement of Mean Capital Employed on pages 21 and 22 including the Income Statements for PSTN and ISDN Access, Meteor, Retail Other and Other Subsidiaries.

3. The Separated Accounts, which include the Market Financial Statements, are prepared by the Company under the historical cost convention in accordance with:
 - Direction D08/10 (dated 31 August 2010), (“the Decision Instrument”), Decisions No. 6, 8.1, 8.2, 8.4, 8.6, 8.9 and 8.11 set out in D07/01 (dated April 2001), D03/03 (dated February 2003), D01/08 (dated May 2008), D03/09 (dated August 2009) and D04/09 (dated August 2009) (together “the Regulations”);
 - the Primary Accounting Documents dated 30 November 2014.

Respective responsibilities of the Directors and auditors

4. As explained more fully in the Directors’ Responsibilities Statement set out on page 5, the Directors are responsible for preparing the Separated Accounts which are fairly presented in accordance with the Decision Instrument. Our responsibilities, as independent auditors, are established in Ireland by the Decision Instrument, International Standards on Auditing (UK and Ireland) and our profession’s ethical guidance.
5. Our responsibility is to audit the Separated Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. International Standards on Auditing (UK and Ireland) require us to comply with the Auditing Practices Board Ethical Standards for Auditors. This report, including the opinion, has been prepared for and only for the Company and ComReg, in accordance with the Decision Instrument, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where

Report of the Independent Auditors to eircom and ComReg

expressly agreed by our prior consent in writing.

6. We report to you our opinion as to whether:
 - the Separated Accounts as a whole are fairly presented in accordance with the Primary Accounting Documents and comply with the requirements of the Decision Instrument.
 - each of the Market Financial Statements as set out in Paragraph 2 above are fairly presented in accordance with the Primary Accounting Documents and comply with the requirements of the Decision Instrument.
7. In addition, we report if, in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we consider necessary for our audit, or if information specified by the Decision Instrument is not disclosed.
8. In addition, we read all the financial and non-financial information in the Separated Accounts to identify material inconsistencies with the audited Separated Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. The other information comprises of the Introduction on pages 2 to 4 and the Explanatory Reports on pages 32 to 45.

Basis of audit opinion

9. As explained in the “Basis of Preparation” on page 3 and 4, the Company prepared the Separated Accounts by disaggregating balances recorded in the general ledgers and other accounting records of eircom Limited, as amended by Directions published by ComReg, and its subsidiaries (the “Group”) maintained in accordance with the Companies Acts, 1963 to 2013 and used,

in accordance with those Acts, for the preparation of the Company’s statutory consolidated financial statements for the year ended 30 June 2014 (“the Statutory Financial Statements”).

10. PricewaterhouseCoopers audited the Statutory Financial Statements for the year ended 30 June 2014 on which they expressed an unqualified audit opinion. In conducting our subsequent examination of the Separated Accounts, and in providing the opinions below, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audit of the Statutory Financial Statements.
11. Having regard to the above:
 - we conducted our audit of the Separated Accounts in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Our work included examination on a test basis, of evidence relevant to the amounts and disclosures in the Separated Accounts. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Separated Accounts.
 - we planned and performed our audit of the Separated Accounts so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Market Financial Statements as a whole and each of the Market Income Statements are fairly presented in accordance with the Primary Accounting Documents and, on that basis, free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Separated Accounts.

Report of the Independent Auditors to eircom and ComReg

Opinion

12. In our opinion:

- a) the Separated Accounts as a whole for the year ended 30 June 2014, fairly present in accordance with the Primary Accounting Documents dated 30 November 2014, the results, mean capital employed and costs incurred by the Company and comply with the requirements of the Decision Instrument.
- b) each of the Market Financial Statements for the year ended 30 June 2014, fairly present in accordance with the Primary Accounting Documents dated 30 November 2014, the results, mean capital employed and costs incurred by the Company and comply with the requirements of the Decision Instrument.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
30 November 2014

Consolidated

INCOME STATEMENT For the year ended 30 June 2014	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
Total	Wholesale Access	Wholesale Other	Retail	Total	Wholesale Access	Wholesale Other	Retail	Total
€000	€000	€000	€000	€000	€000	€000	€000	€000
Revenue	1,740,257	467,249	215,542	1,057,466	1,903,675	485,271	246,087	1,172,316
Operating costs	1,528,953	341,069	189,164	998,720	1,657,560	348,565	217,336	1,091,659
Return	211,304	126,180	26,378	58,746	246,114	136,706	28,752	80,657
Mean capital employed	1,779,493	1,218,898	133,668	426,927	1,722,474	1,208,184	142,293	371,997
Return on capital employed	12%	10%	20%	14%	14%	11%	20%	22%

Consolidated

STATEMENT OF MEAN CAPITAL EMPLOYED
as at 30 June 2014

	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
	Total	Wholesale Access	Wholesale Other	Retail	Total	Wholesale Access	Wholesale Other	Retail
	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets								
Property, Plant and Equipment	1,584,855	1,229,921	148,648	206,286	1,535,255	1,188,283	139,984	206,988
Intangible Assets	274,466	15,962	1,398	257,106	194,622	14,460	1,627	178,535
Other	3,364	1,254	318	1,792	6,078	2,932	795	2,351
Total Non Current Assets	1,862,685	1,247,137	150,364	465,184	1,735,955	1,205,674	142,406	387,874
Current Assets								
Inventories	11,936	3,501	789	7,646	12,883	4,451	794	7,638
Trade and other receivables	241,067	35,337	29,562	176,168	248,864	28,997	37,117	182,750
Cash and cash equivalents	279,565	103,000	35,196	141,369	363,067	130,845	53,102	179,121
Total Current Assets	532,568	141,838	65,547	325,183	624,815	164,292	91,013	369,509
Total Assets	2,395,253	1,388,975	215,911	790,367	2,360,769	1,369,967	233,419	757,383
Liabilities								
Trade and other payables	(528,891)	(122,319)	(70,666)	(335,906)	(553,869)	(121,424)	(79,453)	(352,992)
Provisions for liabilities and charges	(86,869)	(47,758)	(11,577)	(27,534)	(84,426)	(40,359)	(11,673)	(32,394)
Total Liabilities	(615,760)	(170,077)	(82,243)	(363,440)	(638,295)	(161,783)	(91,127)	(385,386)
Mean Capital Employed for the year	1,779,493	1,218,898	133,668	426,927	1,722,474	1,208,184	142,293	371,997

Wholesale Access

INCOME STATEMENT For the year ended 30 June 2014	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
Total	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines
€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Revenue										
External revenue	136,835	72,487	3,544	34,732	26,072	127,568	69,602	3,319	27,300	27,347
Internal revenue - Inter	12,362	-	-	-	12,362	17,455	-	114	-	17,341
Internal revenue - Intra	318,051	231,660	-	60,969	25,422	340,248	257,611	-	56,114	26,523
Total revenue	467,249	304,147	3,544	95,701	63,856	485,271	327,212	3,433	83,414	71,212
Costs										
Cost of Sales	5,660	1,078	248	3,424	911	693	178	8	28	479
Product development and management	2,396	447	363	895	692	2,255	435	373	678	770
Marketing and sales	2,695	1,506	107	537	545	2,703	1,232	162	747	561
Repair and maintenance	69,049	56,524	559	7,144	4,822	69,351	55,386	484	7,209	6,271
Finance	4,053	2,432	61	1,049	511	4,722	3,017	77	949	679
Installation/Provisioning	19,675	14,452	1,300	2,863	1,060	22,197	16,569	1,145	3,309	1,174
Network support	40,918	25,422	417	10,296	4,783	46,108	29,909	478	9,749	5,972
General management	10,991	6,849	208	2,512	1,422	18,302	11,886	417	3,398	2,600
Accommodation	25,806	12,284	258	9,251	4,014	26,879	13,914	262	7,586	5,117
Information Technology	8,703	5,764	161	1,894	883	10,257	6,954	211	1,919	1,172
Transport	9,270	7,136	141	1,428	565	8,787	6,585	147	1,301	754
Personnel and administration	3,310	2,174	60	727	348	7,523	5,073	157	1,397	897
Other operating expenses	123	(107)	265	(23)	(12)	480	127	286	39	28
Credit management and billing	359	88	5	77	189	521	220	92	176	33
Depreciation	138,060	71,082	961	42,353	23,664	128,000	68,983	887	33,018	25,112
Total HCA wholesale operating costs	341,069	207,133	5,115	84,425	44,396	348,777	220,468	5,185	71,503	51,620
Transfer charges from Wholesale	-	-	-	-	-	-	-	-	-	-
Exceptional (Gain) / Loss	-	-	-	-	-	(212)	(155)	(3)	(34)	(20)
Total Operating costs	341,069	207,133	5,115	84,425	44,396	348,565	220,314	5,182	71,469	51,600
Return	126,180	97,015	(1,570)	11,276	19,459	136,706	106,898	(1,749)	11,945	19,612
Mean capital employed	1,218,898	771,546	6,993	282,522	157,837	1,208,184	813,807	6,551	214,079	173,747
Return on capital employed	10%	13%	-22%	4%	12%	11%	13%	-27%	6%	11%

Wholesale Access

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2014

	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
Total		Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines
€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets										
Property, Plant and Equipment	1,229,921	785,354	9,416	281,008	154,141	1,188,283	808,929	8,838	202,531	167,985
Intangible Assets	15,962	10,318	446	3,811	1,387	14,460	9,644	430	3,077	1,309
Other	1,254	473	4	577	200	2,932	1,190	9	1,149	584
Total Non Current Assets	1,247,137	796,145	9,866	285,395	155,729	1,205,674	819,762	9,277	206,757	169,878
Current Assets										
Inventories	3,501	1,451	16	1,582	452	4,451	1,764	18	2,042	627
Trade and other receivables	35,337	16,233	567	6,307	12,230	28,997	14,330	(51)	4,051	10,666
Cash and cash equivalents	103,000	57,666	1,286	31,534	12,515	130,845	76,585	1,610	33,399	19,251
Total Current Assets	141,838	75,350	1,870	39,423	25,196	164,292	92,679	1,577	39,492	30,544
Total Assets	1,388,975	871,495	11,736	324,819	180,925	1,369,967	912,441	10,854	246,249	200,422
Liabilities										
Trade and other payables	(122,319)	(62,588)	(4,133)	(35,600)	(19,998)	(121,424)	(67,886)	(3,843)	(26,498)	(23,197)
Provisions for liabilities and charges	(47,758)	(37,362)	(609)	(6,697)	(3,090)	(40,359)	(30,748)	(460)	(5,672)	(3,478)
Total Liabilities	(170,077)	(99,950)	(4,743)	(42,296)	(23,088)	(161,783)	(98,634)	(4,303)	(32,170)	(26,675)
Mean Capital Employed for the year	1,218,898	771,546	6,993	282,522	157,837	1,208,184	813,807	6,551	214,079	173,747

Wholesale Access

Wholesale Fixed Narrowband Access

Statement of average cost and revenue by service

For the year ended 30 June 2014

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2014	72,487	231,660	304,147	207,133	97,015	31.90%	771,546	12.57%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
PSTN & ISDN SB-WLR Connections	790	1,841	2,631	137	Connections	19.16	173.04	11%
PSTN SB-WLR Rental	63,949	190,483	254,431	1,249	Lines	16.97	15.76	108%
ISDN BRA SB-WLR Rentals	4,713	18,958	23,671	68	Lines	29.18	17.13	170%
ISDN PRA/FRA SB-WLR Rentals	3,036	20,378	23,414	8	Lines	257.08	132.86	194%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2013	69,602	257,611	327,212	220,314	106,898	32.67%	813,807	13.14%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
PSTN & ISDN SB-WLR Connections	733	2,181	2,913	124	Connections	23.40	223.34	10%
PSTN SB-WLR Rental	61,395	213,794	275,189	1,272	Lines	18.03	16.19	111%
ISDN BRA SB-WLR Rentals	4,061	21,019	25,081	72	Lines	29.11	17.57	166%
ISDN PRA/FRA SB-WLR Rentals	3,412	20,617	24,030	8	Lines	250.63	139.37	180%

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

Wholesale Access

Wholesale Unbundled Access

Statement of average cost and revenue by service

For the year ended 30 June 2014

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2014	3,544	-	3,544	5,115	(1,570)	(44.30%)	6,993	(22.45%)

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
LLU & Line Share Connections	61	-	61	50	Connections	1.23	44.00	3%
LLU Rental	1,756	-	1,756	15	Lines	9.59	14.62	66%
Line Share Rental	626	-	626	65	Lines	0.80	0.44	181%
Physical Co-location	1,102	-	1,102		n.m			

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2013	3,319	114	3,433	5,182	(1,749)	(50.95%)	6,551	(26.70%)

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
LLU & Line Share Connections	988	-	988	35	Connections	27.96	55.99	50%
LLU Rental	1,869	-	1,869	15	Lines	10.63	15.56	68%
Line Share Rental	471	-	471	51	Lines	0.78	0.99	78%
Physical Co-location	(9)	114	104		n.m			

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

n.m = not measurable

Wholesale Access

Wholesale Broadband Access

Statement of average cost and revenue by service

For the year ended 30 June 2014

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2014	34,732	60,969	95,701	84,425	11,276	11.78%	282,522	3.99%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	2,575	4,649	7,224		n.m			
Bitstream Rental	14,905	21,146	36,052	225	Lines	13.33	6.69	199%
Bitstream MB Rental	7,815	16,471	24,286	388	Lines	5.21	3.39	154%
Bitstream Plus Rental	1,973	4,533	6,505	79	Lines	6.85	35.74	19%
Bitstream MB Usage	6,412	10,656	17,068	388	Lines	3.66	4.22	87%
Bitstream Plus Usage	1,053	3,514	4,567	79	Lines	4.81	16.96	28%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2013	27,300	56,114	83,414	71,469	11,945	14.32%	214,079	5.58%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	611	579	1,191	n.m	Connections			
Bitstream Rental	15,199	23,528	38,727	252	Lines	12.79	7.72	166%
WSL NGA Connections, Rental & Traffic	208	607	815					
Bitstream MB Rental	5,766	17,628	23,394	405	Lines	4.81	3.59	134%
Bitstream MB Usage	5,516	13,771	19,287	405	Lines	3.96	5.35	74%

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

n.m = not meaningful as this revenue includes upgrades, downgrades, connections and port transfers

Wholesale Access

Wholesale Leased Lines

Statement of average cost and revenue by service

For the year ended 30 June 2014

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2014	26,072	37,784	63,856	44,396	19,459	30.47%	157,837	12.33%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
Wholesale LL and Ethernet connections	1,106	514	1,620	0.947	Connections	1,711	1,796	95%
Wholesale Ethernet Rental	8,908	17,840	26,747	-	n.m	-	-	-
Wholesale LL Rental <155Mb	4,188	6,670	10,858	3.483	Circuits	260	198	131%
Wholesale LL Rental >=155 Mb	1,390	3,539	4,929	0.028	Circuits	14,670	11,669	126%
PPC EULs Rental < 155MB	10,409	5,741	16,150	4.680	Circuits	288	184	156%
PPC EULs Rental >= 155MB	71	3,480	3,551	0.112	Circuits	2,650	1,843	144%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2013	27,347	43,864	71,212	51,600	19,612	27.54%	173,747	11.29%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
Wholesale LL and Ethernet connections	750	1,350	2,101	1.357	Connections	1,548	1,393	111%
Wholesale Ethernet Rental	5,506	17,225	22,730	-	n.m	-	-	-
Wholesale LL Rental <155Mb	5,717	7,912	13,629	4.095	Circuits	277	199	139%
Wholesale LL Rental >=155 Mb	1,231	4,040	5,271	0.030	Circuits	14,688	10,328	142%
PPC Rental < 155MB	13,453	6,726	20,179	5.759	Circuits	292	179	164%
PPC Rental >= 155MB	690	6,612	7,303	0.228	Circuits	2,673	1,665	161%

Average Circuit revenue and costs are monthly averages

Circuit volumes are average volumes

n.m = not measurable

Wholesale Other

INCOME STATEMENT for the year ended 30 June 2014													
	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	
Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	
€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	
Revenue													
External revenue	123,457	3,748	33,630	2,149	22,632	61,299	130,425	4,132	32,725	8,697	24,665	60,206	
Internal revenue - Inter	21,948	-	6,716	222	2,497	12,513	25,145	-	8,469	885	3,568	12,223	
Internal revenue - Intra	70,137	10,454	37,571	1,606	3,950	16,556	90,518	11,818	48,847	7,277	5,059	17,516	
Total revenue	215,542	14,202	77,917	3,976	29,080	90,368	246,087	15,950	90,041	16,859	33,293	89,946	
Costs													
Cost of Sales	77,824	-	68,997	-	(468)	9,296	98,230	-	82,760	-	(137)	15,607	
Product Development and management	1,105	72	30	83	334	587	1,464	107	37	115	317	888	
Marketing and Sales	1,951	43	17	66	249	1,576	1,867	36	-	93	184	1,554	
Repair and maintenance	6,816	1,752	856	1,943	750	1,514	9,123	2,490	1,299	2,578	927	1,829	
Finance	750	144	83	160	79	283	873	180	100	189	95	309	
Installation/Provisioning	1,002	2	12	2	285	702	1,145	2	16	2	332	793	
Network support	6,794	1,365	838	1,514	533	2,544	6,638	1,561	905	1,629	695	1,847	
General management	2,179	361	195	404	292	927	4,251	652	343	700	512	2,043	
Accommodation	8,499	2,197	1,008	2,443	879	1,973	8,837	2,596	1,179	2,724	920	1,419	
Information Technology	1,310	150	88	168	284	620	1,582	301	149	312	240	581	
Transport	474	78	34	87	108	166	673	92	46	100	135	300	
Personnel and administration	494	62	37	69	61	265	1,109	166	97	175	148	523	
Other operating expenses	2,744	(4)	(2)	(4)	(2)	2,756	3,375	7	4	7	3	3,354	
Credit management and billing	685	59	41	67	240	278	785	4	9	5	55	712	
Depreciation	21,253	4,896	3,203	5,425	1,982	5,749	22,169	5,401	3,454	5,637	2,037	5,641	
Total HCA wholesale operating costs	133,881	11,176	75,436	12,426	5,607	29,236	162,120	13,595	90,397	14,265	6,464	37,398	
Transfer charges from Wholesale / Revenue transfer to Retail	55,283	-	597	-	15,344	39,342	55,235	-	424	-	16,386	38,425	
Exceptional (Gain) / Loss	-	-	-	-	-	-	(19)	(4)	(2)	(4)	(4)	(6)	
Total Operating costs	189,164	11,176	76,032	12,426	20,950	68,578	217,336	13,592	90,819	14,261	22,846	75,817	
Return	26,378	3,026	1,884	(8,450)	8,129	21,790	28,752	2,358	(779)	2,597	10,446	14,129	
Mean capital employed	133,668	29,491	31,385	32,102	20,700	19,989	142,293	35,962	42,355	38,421	20,413	5,141	
Return on capital employed	20%	10%	6%	-26%	39%	109%	20%	7%	-2%	7%	51%	275%	

Wholesale Other

STATEMENT OF MEAN CAPITAL EMPLOYED

as at 30 June 2014

	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Call Origination	Wholesale Call Transit	Wholesale Call Termination	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total
€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets												
Property, Plant and Equipment	148,648	29,999	20,763	33,324	18,610	45,952	139,984	34,991	23,701	36,629	18,122	26,541
Intangible Assets	1,398	166	98	185	324	625	1,627	246	138	258	348	638
Other	318	95	47	105	31	39	795	247	135	257	74	82
Total Non Current Assets	150,364	30,261	20,908	33,615	18,965	46,615	142,406	35,484	23,973	37,143	18,544	27,261
Current Assets												
Inventories	789	210	164	238	84	93	794	224	182	239	100	49
Trade and other receivables	29,562	1,100	8,855	581	3,711	15,315	37,117	1,044	8,479	2,163	3,268	22,163
Cash and cash equivalents	35,196	2,026	20,077	2,258	1,447	9,388	53,102	3,061	30,420	3,222	2,231	14,167
Total Current Assets	65,547	3,336	29,096	3,077	5,241	24,797	91,013	4,330	39,081	5,624	5,599	36,380
Total Assets	215,911	33,597	50,004	36,692	24,206	71,412	233,419	39,814	63,054	42,767	24,143	63,641
Liabilities												
Trade and other payables	(70,666)	(2,997)	(18,068)	(3,361)	(3,090)	(43,149)	(79,453)	(2,592)	(20,072)	(3,036)	(3,258)	(50,495)
Provisions for liabilities and charges	(11,577)	(1,109)	(551)	(1,228)	(415)	(8,273)	(11,673)	(1,259)	(627)	(1,310)	(472)	(8,005)
Total Liabilities	(82,243)	(4,106)	(18,619)	(4,590)	(3,505)	(51,423)	(91,127)	(3,852)	(20,699)	(4,346)	(3,730)	(58,500)
Mean Capital Employed for the year	133,668	29,491	31,385	32,102	20,700	19,989	142,293	35,962	42,355	38,421	20,413	5,141

Wholesale Other

Wholesale Call Origination

Statement of average cost and revenue by service

For the year ended 30 June 2014

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2014	3,748	10,454	14,202	11,176	3,026	21.31%	29,491	10.26%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	Millions		€ cent	€ cent	
Fixed Origination - Minutes	1,926	5,324	7,250	3,796	Minutes	0.191	0.282	68%
Fixed Origination - Calls	1,822	5,130	6,952	1,209	Calls	0.575	0.288	199%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2013	4,132	11,818	15,950	13,592	2,358	14.78%	35,962	6.56%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	Millions		€ cent	€ cent	
Fixed Origination - Minutes	2,123	6,034	8,157	4,320	Minutes	0.189	0.304	62%
Fixed Origination - Calls	2,009	5,784	7,793	1,368	Calls	0.570	0.303	188%

Wholesale Other

Wholesale Call Termination

Statement of average cost and revenue by service

For the year ended 30 June 2014

Market summary

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2014	2,149	1,828	3,976	12,426	(8,450)	-212.53%	32,102	-26.32%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	Millions		€ cent	€ cent	
Fixed termination - Minutes	1,572	1,429	3,001	4,268	Minutes	0.070	0.281	25%
Fixed termination - Calls	577	398	975	1,294	Calls	0.075	0.287	26%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
2013	8,697	8,162	16,859	14,261	2,597	15.40%	38,421	6.76%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	Millions		€ cent	€ cent	
Fixed termination - Minutes	4,325	4,664	8,989	4,589	Minutes	0.196	0.306	64%
Fixed termination - Calls	4,371	3,498	7,869	1,366	Calls	0.576	0.303	190%

Retail

INCOME STATEMENT														
For the year ended 30 June 2014														
	30-Jun-14		30-Jun-14		30-Jun-14		30-Jun-14		30-Jun-14		30-Jun-13		30-Jun-13	
	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	Total	Retail Adjustments
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Revenue														
External revenue	1,022,145	-	248,841	333,881	382,895	56,528	1,135,834	-	270,678	340,362	438,337	86,457	1,135,834	-
Internal revenue - Inter	20,743	(10,655)	247	13,028	9,627	8,495	21,166	(16,078)	244	12,793	10,296	13,912	21,166	(16,078)
Internal revenue - Intra	14,577	-	-	-	14,577	-	15,316	-	-	-	15,316	-	15,316	-
Total revenue	1,057,466	(10,655)	249,089	346,909	407,100	65,023	1,172,316	(16,078)	270,922	353,155	463,950	100,368	1,172,316	(16,078)
Retail Costs														
Cost of Sales	47,190	-	224	-	46,967	-	42,524	(19)	270	-	42,273	-	42,524	(19)
Product Development and management	12,007	-	1,229	-	10,778	-	12,757	-	1,366	-	11,391	-	12,757	-
Marketing and Sales	68,340	-	19,018	-	49,321	-	65,215	-	20,084	-	45,131	-	65,215	-
Repair and maintenance	9,913	-	1,057	-	8,856	-	9,294	-	1,369	-	7,925	-	9,294	-
Finance	3,394	-	772	-	2,622	-	3,988	-	956	-	3,032	-	3,988	-
Installation/Provisioning	2,717	-	-	-	2,717	-	3,647	-	69	-	3,578	-	3,647	-
Network support	1,970	-	-	-	1,970	-	3,095	-	78	-	3,017	-	3,095	-
General management	7,777	-	1,490	-	6,287	-	11,617	-	2,403	-	9,215	-	11,617	-
Accommodation	23,555	6	1,495	-	22,055	-	22,864	(4,802)	1,958	-	25,709	-	22,864	(4,802)
Information Technology	9,618	-	1,028	-	8,590	-	10,396	-	1,252	-	9,143	-	10,396	-
Transport	2,239	-	378	-	1,861	-	2,521	-	475	-	2,046	-	2,521	-
Personnel and administration	3,006	-	306	-	2,700	-	5,282	-	733	-	4,549	-	5,282	-
Other operating expenses	5,638	(786)	(10)	-	6,434	-	11,846	(352)	27	-	12,172	-	11,846	(352)
Credit management and billing	17,276	-	10,750	-	6,525	-	18,572	-	11,504	-	7,068	-	18,572	-
Depreciation	31,194	-	3,374	-	27,819	-	21,590	-	2,716	-	18,874	-	21,590	-
Group/Meteor Operating costs	405,436	(9,874)	-	358,630	-	56,681	455,518	(10,904)	-	381,962	-	84,461	455,518	(10,904)
Total HCA retail operating costs	651,271	(10,654)	41,113	358,630	205,503	56,681	700,726	(16,078)	45,258	381,962	205,123	84,461	700,726	(16,078)
Transfer charges from Wholesale	347,482	-	205,146	-	142,336	-	390,846	-	234,528	-	156,318	-	390,846	-
Exceptional (Gain) / Loss	(34)	-	-	(34)	-	-	87	-	(12)	194	(97)	1	87	-
Total Operating costs	998,720	(10,654)	246,259	358,596	347,839	56,681	1,091,659	(16,078)	279,775	382,156	361,344	84,462	1,091,659	(16,078)
Return	58,746	-	2,830	(11,687)	59,261	8,342	80,657	-	(8,853)	(29,002)	102,606	15,906	80,657	-
Mean capital employed	426,927	-	20,488	(24,292)	332,126	98,606	371,997	-	18,749	(770)	247,797	106,221	371,997	-
Return on capital employed	14%	0%	14%	N/a	18%	8%	22%	0%	-47%	N/a	41%	15%	22%	0%

Retail

STATEMENT OF MEAN CAPITAL EMPLOYED
as at 30 June 2014

	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13	30-Jun-13
	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Meteor	Retail Other	Other Subsidiaries
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets												
Property, Plant and Equipment	206,288	-	8,367	73,322	91,967	32,630	206,988	-	9,858	62,119	94,105	40,907
Intangible Assets	257,106	-	5,774	207,742	43,581	9	178,535	-	3,741	145,865	26,809	2,121
Other	1,792	-	33	846	126	788	2,351	-	82	984	290	995
Total Non Current Assets	465,184	-	14,174	281,910	135,673	33,427	387,874	-	13,680	208,968	121,204	44,023
Current Assets												
Inventories	7,646	-	-	1,534	5,800	311	7,638	-	-	2,118	4,525	995
Trade and other receivables	176,168	(562,506)	31,170	76,259	341,342	289,903	182,750	(379,719)	30,641	71,376	254,788	205,661
Cash and cash equivalents	141,369	-	10,998	16,990	65,458	47,923	179,121	-	14,607	21,121	83,665	59,727
Total Current Assets	325,183	(562,506)	42,168	94,783	412,600	338,137	369,509	(379,716)	45,248	94,616	342,978	266,383
Total Assets	790,367	(562,506)	56,342	376,693	548,274	371,564	757,383	(379,716)	58,928	303,583	464,182	310,406
Liabilities												
Trade and other payables	(335,906)	562,506	(34,727)	(387,106)	(207,030)	(269,548)	(352,992)	379,719	(38,685)	(288,965)	(204,500)	(200,561)
Provisions for liabilities and charges	(27,534)	-	(1,127)	(13,878)	(9,118)	(3,410)	(32,394)	-	(1,494)	(15,392)	(11,884)	(3,624)
Total Liabilities	(363,440)	562,506	(35,854)	(400,984)	(216,148)	(272,958)	(385,386)	379,719	(40,179)	(304,357)	(216,385)	(204,185)
Mean Capital Employed for the year	426,927	-	20,488	(24,292)	332,126	98,606	371,997	-	18,749	(773)	247,797	106,221

Statement of Costs
For the year ended 30 June 2014

	Operating costs	Exceptional Operating Costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume	Average costs per unit relating to current year
Full allocated Cost (€000)								
Copper Access Network	153,903	-	700,135	10.21%	71,484	225,387	1,361,936	165.49
Fibre/High Speed Access Network	5,695	-	43,366	10.21%	4,426	10,123	7,711	1,312.82
NGA	20,783	-	100,647	10.21%	10,277	31,059	(a)	(a)
DSL Equipment	16,238	-	39,976	10.21%	4,082	20,320	(a)	(a)
Other Access Equipment	3,360	-	8,052	10.21%	822	4,182	(a)	(a)
Provisioning	30,603	-	15,592	10.21%	1,592	32,195	(a)	(a)
Repair	14,670	-	3,811	10.21%	389	15,059	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	15,035	-	44,573	10.21%	4,551	19,586	1,324,267	14.79
<i>Call Sensitive</i>								
Subscriber unit	2,463	-	7,338	10.21%	749	3,212	2,624,708	0.122
Parent switch	4,134	-	6,115	10.21%	624	4,757	3,105,373	0.153
Gateway switch	675	-	2,737	10.21%	279	953	1,059,576	0.090
<i>Traffic sensitive</i>								
Subscriber unit	2,859	-	7,842	10.21%	801	3,660	8,178,028	0.045
Parent switch	3,863	-	5,766	10.21%	589	4,452	9,319,992	0.048
Gateway switch	713	-	3,490	10.21%	356	1,069	3,273,450	0.033
Interconnect Equipment	308	-	(445)	10.21%	(45)	264	(a)	(a)
Intelligent Network	104	-	(23)	10.21%	(2)	102	2,582,528	0.039
Other Switching Elements	361	-	(58)	10.21%	(6)	355		
<u>Transmission network</u>								
<i>Transmission: Non-length dependent</i>								
PSTN: RSU to parent link	9,058	-	22,524	10.21%	2,300	11,359	6,110,064	0.186
PSTN: Parent to parent link	1,360	-	3,626	10.21%	370	1,730	2,250,956	0.077
PSTN: Parent to gateway link	835	-	2,280	10.21%	233	1,068	2,375,759	0.045
Interconnect link	1,236	-	3,491	10.21%	356	1,592	(a)	(a)
Data incl leased Lines link	6,715	-	17,489	10.21%	1,786	8,501	(a)	(a)
DSL transmission link	7,873	-	18,943	10.21%	1,934	9,807	(a)	(a)
Other data link	2,202	-	5,830	10.21%	595	2,797	(a)	(a)
NGN link	26,842	-	82,619	10.21%	8,435	35,277	(a)	(a)
Other transmission link	3,317	-	9,134	10.21%	933	4,249	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN: RSU to parent length	1,507	-	11,455	10.21%	1,170	2,676	1,988,681	0.135
PSTN: Parent to parent length	373	-	2,351	10.21%	240	613	1,209,330	0.051
PSTN: Parent to gateway length	296	-	1,780	10.21%	182	478	2,759,155	0.017
Interconnect Length	145	-	776	10.21%	79	224	(a)	(a)
Data incl leased Lines length	1,986	-	12,400	10.21%	1,266	3,252	(a)	(a)
DSL transmission length	1,986	-	15,656	10.21%	1,598	3,585	(a)	(a)
Other data length	3,585	-	20,837	10.21%	2,127	5,712	(a)	(a)
Transmission: Optical	1,142	-	8,764	10.21%	895	2,037	(a)	(a)
NGN length	6,297	-	41,513	10.21%	4,238	10,536	(a)	(a)
Other transmission length	334	-	1,655	10.21%	169	503	(a)	(a)
<u>Data platforms</u>								
Legacy Leased Lines	6,497	-	18,469	10.21%	1,886	8,383	(a)	(a)
Other Data	7,839	-	10,821	10.21%	1,105	8,944	(a)	(a)
IMS Platfrom	634	-	17,574	10.21%	1,794	2,428	(a)	(a)
Outpayments	82,990	-	7,828	10.21%	799	83,788	(a)	(a)
Carrier Administration	14,698	-	19,821	10.21%	2,024	16,722	(a)	(a)
Carrier billing	2,481	-	30,445	10.21%	3,108	5,590	(a)	(a)
Other SMP elements	1,042	-	2,856	10.21%	292	1,334	(a)	(a)
Non-SMP elements	5,913	-	(27,283)	10.21%	(2,786)	3,127	(a)	(a)
Total	474,950	-	1,352,566	10.21%	138,096	613,047		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

Statement of Costs

For the year ended 30 June 2013

	Operating costs	Exceptional Operating Costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume	Average costs per unit relating to current year
Full allocated Cost (€000)								
Copper Access Network*	154,866	(106)	720,223	10.21%	73,535	228,295	1,377,608	165.72
Fibre/High Speed Access Network	6,593	(10)	40,515	10.21%	4,135	10,720	7,219	1,484.90
NGA	14,926	(15)	56,658	10.21%	5,786	20,696	(a)	(a)
DSL Equipment	18,510	(4)	49,290	10.21%	5,033	23,539	(a)	(a)
Other Access Equipment	3,661	-	10,367	10.21%	1,058	4,719	(a)	(a)
Provisioning	35,589	(36)	18,839	10.21%	1,923	37,476	(a)	(a)
Repair	20,175	(17)	6,397	10.21%	653	20,811	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	17,851	(5)	53,268	10.21%	5,439	23,285	1,351,505	17.23
<i>Call Sensitive</i>								
Subscriber unit	2,926	(1)	8,763	10.21%	895	3,820	2,875,584	0.133
Parent switch	4,473	(1)	8,447	10.21%	862	5,333	3,377,704	0.158
Gateway switch	756	-	3,111	10.21%	318	1,073	1,133,494	0.095
<i>Traffic sensitive</i>								
Subscriber unit	3,369	(1)	9,472	10.21%	967	4,335	9,045,564	0.048
Parent switch	3,963	(1)	7,378	10.21%	753	4,715	10,203,228	0.046
Gateway switch	869	-	4,054	10.21%	414	1,283	3,518,249	0.036
Interconnect Equipment	280	-	(417)	10.21%	(43)	238	(a)	(a)
Intelligent Network	2,207	-	1,431	10.21%	146	2,353	2,753,264	0.855
Other Switching Elements	498	-	575	10.21%	59	557		
<u>Transmission network</u>								
<i>Transmission: Non-length dependent</i>								
PSTN: RSU to parent link	9,835	(3)	25,233	10.21%	2,576	12,409	6,758,228	0.184
PSTN: Parent to parent link	1,453	-	3,961	10.21%	404	1,857	2,494,073	0.074
PSTN: Parent to gateway link	904	-	2,522	10.21%	257	1,161	2,697,334	0.043
Interconnect link	1,386	-	3,980	10.21%	406	1,792	(a)	(a)
Data incl leased Lines link	8,544	(3)	22,932	10.21%	2,341	10,882	(a)	(a)
DSL transmission link	8,899	(3)	22,204	10.21%	2,267	11,163	(a)	(a)
Other data link	2,514	(1)	6,802	10.21%	694	3,207	(a)	(a)
NGN link	20,776	(5)	66,877	10.21%	6,828	27,599	(a)	(a)
Other transmission link	3,804	(1)	10,650	10.21%	1,087	4,889	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN: RSU to parent length	1,723	-	12,662	10.21%	1,293	3,015	2,199,642	0.137
PSTN: Parent to parent length	411	-	2,535	10.21%	259	670	1,338,173	0.050
PSTN: Parent to gateway length	361	-	2,118	10.21%	216	577	3,134,008	0.018
Interconnect Length	186	-	992	10.21%	101	287	(a)	(a)
Data incl leased Lines length	3,163	(1)	19,526	10.21%	1,994	5,156	(a)	(a)
DSL transmission length	2,370	(1)	18,347	10.21%	1,873	4,243	(a)	(a)
Other data length	4,205	(1)	23,883	10.21%	2,438	6,642	(a)	(a)
NGN length	5,417	(1)	32,889	10.21%	3,358	8,775	(a)	(a)
Other transmission length	380	-	1,871	10.21%	191	571	(a)	(a)
<u>Data platforms</u>								
Legacy Leased Lines	7,162	(2)	19,380	10.21%	1,979	9,139	(a)	(a)
Other Data	12,117	(2)	13,525	10.21%	1,381	13,496	(a)	(a)
IMS Platform	203	-	7,500	10.21%	766	969	(a)	(a)
Outpayments	99,173	-	16,969	10.21%	1,733	100,905	(a)	(a)
Carrier Administration	15,046	(3)	948	10.21%	97	15,140	(a)	(a)
Carrier billing	2,514	(1)	35,205	10.21%	3,594	6,108	(a)	(a)
Other SMP elements	1,157	-	3,253	10.21%	332	1,490	(a)	(a)
Non-SMP elements	5,867	(3)	(24,684)	10.21%	(2,520)	3,344	(a)	(a)
Total	511,082	(228)	1,350,452	10.21%	137,880	648,735		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

Network Cost Market Summary

For the year ended 30 June 2014

	Total Operating and Capital Costs	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Call Termination	Wholesale Call Origination	Wholesale Call Transit	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Retail Residual
Full allocated Cost (€000)											
Copper access network	225,387	218,801	2,431	2,347	1,807	-	-	-	-	1	-
Fibre/High Speed Access Network	10,123	880	-	7,116	179	-	-	-	1,852	96	-
NGA	31,059	-	-	-	31,059	-	-	-	-	-	-
DSL equipment	20,320	-	-	-	20,319	-	-	-	-	-	1
Other access equipment	4,182	1,866	-	2,311	-	-	-	-	-	6	(1)
Provisioning wholesale networks	32,195	23,016	2,100	1,228	4,857	-	-	529	436	436	29
Repair wholesale networks	15,059	10,166	48	1,059	3,288	37	33	21	272	130	5
<i>Line Sensitive</i>											
Subscriber unit - line sensitive	19,586	19,586	-	-	-	-	-	-	-	-	-
<i>Call Sensitive</i>											
Subscriber unit - call sensitive	3,212	-	-	-	-	1,657	1,554	-	-	-	1
Parent switch - call sensitive	4,757	-	-	-	-	1,952	1,822	985	-	-	(2)
Gateway switch - call sensitive	953	-	-	-	-	-	-	954	-	-	(1)
<i>Traffic sensitive</i>											
Subscriber unit - traffic sensitive	3,660	-	-	-	-	1,936	1,724	-	-	-	-
Parent switch - traffic sensitive	4,452	-	-	-	-	1,931	1,704	817	-	-	-
Gateway switch - traffic sensitive	1,069	-	-	-	-	-	-	1,069	-	-	-
Interconnect equipment	264	-	-	-	-	-	-	(39)	303	-	-
Intelligent Network	102	-	-	-	-	39	36	27	-	-	-
Other switching elements	355	-	-	-	-	-	-	72	282	-	1
Transmission network											
<i>Transmission: Non-length dependent</i>											
PSTN: RSU to parent link	11,359	-	-	-	-	6,006	5,351	-	-	-	2
PSTN: Parent to parent link	1,730	-	-	-	-	-	-	1,730	-	-	-
PSTN: Parent to gateway link	1,068	-	-	-	-	-	-	1,068	-	-	-
Interconnect link	1,592	-	-	-	-	-	-	-	1,592	-	-
Data incl leased lines link	8,501	289	-	7,738	7	75	75	-	-	315	2
DSL transmission link	9,807	-	-	-	9,807	-	-	-	-	-	-
Other data link	2,797	-	-	1,719	904	-	-	-	10	165	(1)
NGN Link	35,277	-	-	14,527	20,367	-	-	-	-	383	-
Other transmission link	4,249	3,284	-	118	2	-	-	244	175	427	(1)
<i>Transmission: Length dependent</i>											
PSTN: RSU to parent length	2,676	-	-	-	-	1,416	1,260	-	-	-	-
PSTN: Parent to parent length	613	-	-	-	-	-	-	613	-	-	-
PSTN: Parent to gateway length	478	-	-	-	-	-	-	478	-	-	-
Interconnect length	224	-	-	-	-	-	-	26	198	-	-
Data incl leased lines length	3,252	31	-	2,957	1	8	8	-	-	247	-
DSL transmission length	3,585	-	-	-	3,585	-	-	-	-	-	-
Other data length	5,712	-	-	3,982	1,342	-	-	-	27	382	(1)
Transmission: Optical	2,037	-	-	1,291	-	-	-	-	-	746	-
NGN length	10,536	-	-	2,576	7,959	-	-	-	-	-	1
Other transmission length	503	51	-	103	14	-	-	45	47	241	2
Data platforms											
Legacy leased lines	8,383	2,343	-	5,780	13	111	111	-	19	4	2
Other data platforms	8,944	-	-	1,603	922	-	-	-	12	6,404	3
IMS Platform	2,428	-	-	-	-	-	-	-	-	2,425	3
Outpayments	83,788	1,111	213	1,163	3,046	-	-	69,762	(485)	8,975	3
Carrier administration	16,722	3,931	854	2,099	2,903	230	186	50	943	5,524	3
Carrier billing	5,590	553	(232)	807	284	289	306	1,448	919	1,214	3
Other SMP elements	1,334	-	323	-	-	-	-	-	942	66	3
Non-SMP elements	3,127	-	70	(56)	64	-	-	(2)	-	3,048	3
Total Wholesale Costs	613,047	285,906	5,806	60,468	112,729	15,687	14,170	79,369	7,637	31,215	60

Network Cost Market Summary

For the year ended 30 June 2013

	Total Operating and Capital Costs	Wholesale Fixed Narrowband Access	Wholesale Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Call Termination	Wholesale Call Origination	Wholesale Call Transit	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Retail Residual
Full allocated Cost (€000)											
Copper access network	228,295	223,028	2,313	2,713	231	-	-	-	-	9	-
Fibre/High Speed Access Network	10,720	1,061	-	7,274	-	-	-	-	2,254	131	-
NGA	20,696	-	-	-	20,696	-	-	-	-	-	-
DSL equipment	23,539	-	-	-	23,538	-	-	-	-	-	1
Other access equipment	4,719	1,852	-	2,861	-	-	-	-	-	8	(1)
Provisioning wholesale networks	37,476	27,712	2,096	1,738	4,989	-	-	-	634	294	12
Repair wholesale networks	20,811	14,794	63	1,218	4,065	35	33	20	419	160	5
<i>Line Sensitive</i>											
Subscriber unit - line sensitive	23,285	23,285	-	-	-	-	-	-	-	-	-
<i>Call Sensitive</i>											
Subscriber unit - call sensitive	3,820	-	-	-	-	1,909	1,911	-	-	-	1
Parent switch - call sensitive	5,333	-	-	-	-	2,120	2,122	1,093	-	-	(2)
Gateway switch - call sensitive	1,073	-	-	-	-	-	-	1,074	-	-	(1)
<i>Traffic sensitive</i>											
Subscriber unit - traffic sensitive	4,335	-	-	-	-	2,232	2,103	-	-	-	-
Parent switch - traffic sensitive	4,715	-	-	-	-	1,995	1,870	850	-	-	-
Gateway switch - traffic sensitive	1,283	-	-	-	-	-	-	1,283	-	-	-
Interconnect equipment	238	-	-	-	-	-	-	(38)	276	-	-
Intelligent Network	2,353	-	-	-	-	858	859	635	-	-	-
Other switching elements	557	-	-	-	-	-	-	173	384	-	1
<u>Transmission network</u>											
<i>Transmission: Non-length dependent</i>											
PSTN: RSU to parent link	12,409	-	-	-	-	6,389	6,019	-	-	-	2
PSTN: Parent to parent link	1,857	-	-	-	-	-	-	1,857	-	-	-
PSTN: Parent to gateway link	1,161	-	-	-	-	-	-	1,161	-	-	-
Interconnect link	1,792	-	-	-	-	-	-	-	1,792	-	-
Data incl leased lines link	10,882	325	-	10,096	-	54	54	-	-	351	2
DSL transmission link	11,163	-	-	-	11,163	-	-	-	-	-	-
Other data link	3,207	-	-	2,014	1,005	-	-	-	12	176	(1)
NGN Link	27,599	-	-	16,736	10,863	-	-	-	-	-	-
Other transmission link	4,889	3,772	-	297	2	-	-	232	61	526	(1)
<i>Transmission: Length dependent</i>											
PSTN: RSU to parent length	3,015	-	-	-	-	1,552	1,463	-	-	-	-
PSTN: Parent to parent length	670	-	-	-	-	-	-	670	-	-	-
PSTN: Parent to gateway length	577	-	-	-	-	-	-	577	-	-	-
Interconnect length	287	-	-	-	-	-	-	29	259	-	-
Data incl leased lines length	5,156	78	-	4,745	2	18	18	-	1	293	-
DSL transmission length	4,243	-	-	-	4,243	-	-	-	-	-	-
Other data length	6,642	-	-	4,656	1,559	-	-	-	32	395	(1)
NGN length	8,775	-	-	2,453	6,321	-	-	-	-	-	-
Other transmission length	571	76	-	181	12	-	-	60	20	222	-
<u>Data platforms</u>											
Legacy leased lines	9,139	2,467	-	6,416	16	108	108	-	16	4	4
Other data platforms	13,496	-	-	2,577	1,552	-	-	-	20	9,342	5
IMS Platform	969	-	-	-	-	-	-	-	-	969	-
Outpayments	100,905	380	11	490	-	-	-	84,041	(144)	16,030	97
Carrier administration	15,140	3,746	1,000	2,433	2,559	343	248	64	1,066	3,680	-
Carrier billing	6,108	824	(71)	441	513	572	455	941	335	2,042	57
Other SMP elements	1,490	-	372	-	-	-	-	-	1,110	7	1
Non-SMP elements	3,344	-	67	-	-	-	-	-	-	3,277	1
Total Wholesale Costs	648,735	303,400	5,851	69,339	93,329	18,185	17,263	94,722	8,547	37,916	182

Notes to the Financial Statements

Note 1: Comparative Figures and Methodology Changes

ComReg requires that where data for the previous financial year is not comparable, as a result of a material change in accounting policy, cost attribution or material error, the figures for the preceding year must be adjusted to the extent that it is reasonable to do so.

The preparation of these financial statements requires estimation of the appropriate utilisation of network equipment by pre-defined product and service offerings. The principles under which the financial statements are prepared require that the network cost components are aligned as closely as possible with the external and IBU revenues arising in respect of these specific products. The determination of the appropriate usage of network components requires a level of estimation and certain assessments have been revised in this respect in the current year to more closely align the revenues and costs at the product level.

eircom has identified Optical Circuits as a separate network element in the Network Statement of Costs in the year ended 30 June 2014. Costs included in this new network element were included within various categories of length dependent transmission network elements in prior years.

The impact on the prior year statements of separately identifying the equivalent split for this Optical circuit network element and other assessments revised in the current year are not deemed to be material and therefore the prior year comparatives included in the Separated Accounts have not been restated.

A statutory restatement in respect of the adoption of IAS 19 Pensions (Revised) has been reflected in Notes 3 and 4 and has had no other impact on the Separated accounts as these balances are excluded from the Separated Accounts.

There have been no other material changes in accounting policy, cost attribution or material errors noted which require restatement.

Note 2: Intra/Inter Business Turnover Reconciliation

<i>FROM / TO</i>								TOTAL	
		Wholesale Access 30-Jun-14 Intra €000	Wholesale Access 30-Jun-14 Inter	Wholesale Other 30-Jun-14 Intra	Wholesale Other 30-Jun-14 Inter €'000	Retail 30-Jun-14 Intra €'000	Retail 30-Jun-14 Inter €'000	30-Jun-14 Intra €'000	30-Jun-14 Inter €'000
Turnover originating in:									
eircom Limited:									
Wholesale Access:	Wholesale Fixed Narrowband Access	-	-	26,875	-	204,785	-	231,660	-
	Wholesale unbundled access	-	-	-	-	-	-	-	-
	Wholesale Broadband Access	-	-	1,963	-	59,006	-	60,969	-
	Wholesale Leased Lines	-	-	597	-	24,825	12,362	25,422	12,362
	Total	-	-	29,436	-	288,615	12,362	318,051	12,362
Wholesale Other:	Wholesale Call termination	-	-	394	-	1,212	222	1,606	222
	Wholesale Call Origination	-	-	1,897	-	8,558	-	10,454	-
	Wholesale Call transit	-	-	8,138	-	29,433	6,716	37,571	6,716
	Wholesale Residual (Regulated)	-	-	847	-	3,103	2,497	3,950	2,497
	Wholesale Residual (Unregulated)	-	-	-	-	16,556	12,513	16,556	12,513
	Total	-	-	11,275	-	58,862	21,948	70,138	21,948
Retail	PSTN & ISDN Access	-	-	-	-	-	247	-	247
	Meteor	-	335	-	11,906	-	786	-	13,027
	Other Subsidiaries	-	-	-	8,501	-	(6)	-	8,495
	Retail Other	-	-	14,577	-	-	9,627	14,577	9,627
	Total	-	335	14,577	20,408	-	10,655	14,577	31,397
TOTAL		-	335	55,289	20,408	347,477	44,965	402,766	65,708

Note 3: Income Statement Reconciliation

Consolidated market groups

Income Statement Reconciliation
For the year ended 30 June 2014

	Revenue	Operating costs	Return	Revenue	Operating costs	Return
	2014	2014	2014	2013	2013	2013
	€000	€000	€000	€000	€000	€000
	Restated	Restated	Restated	Restated	Restated	Restated
Wholesale Access	467,249	341,069	126,180	485,271	348,565	136,706
Wholesale Other	215,542	189,164	26,378	246,087	217,336	28,751
Retail	1,057,466	998,720	58,746	1,172,316	1,091,659	80,657
Total	1,740,257	1,528,953	211,304	1,903,674	1,657,560	246,114
Adjustments						
Elimination of Inter Business turnover and costs between wholesale and retail	(55,054)	(55,054)	-	(63,766)	(63,766)	-
Transfer charges between Retail and Wholesale	(402,766)	(402,766)	-	(446,082)	(446,082)	-
Interest payable and similar charges disallowed	-	-	(193,989)	-	-	(237,256)
Other Subsidiary project finance costs included in operating costs (allowable)	-	(510)	-	-	(1,529)	-
Share of profit of associates	-	-	-	-	78	(78)
Tax on profits on ordinary activities	-	-	14,467	-	-	(15,078)
Impact of change to asset lives	-	29,214	(29,214)	-	33,296	(33,296)
IFRS Pension Adjustment	-	-	(29,320)	-	-	(23,456)
Gain on Disposal of Subsidiaries	-	(508)	508	-	(123,523)	123,523
Non relevant eircom operating costs	-	232,082	(232,082)	-	28,190	(28,190)
As in the Annual Report	1,282,437	1,331,412	(258,326)	1,393,826	1,084,224	32,283

Note 4: Statement of Mean Capital Employed Reconciliation

Consolidated market groups		
Statement of Mean Capital Employed Reconciliation As at 30 June 2014	Capital employed 2014 €000	Capital employed 2013 €000 Restated
Shareholders' funds as in the Annual Report	(1,139,624)	(1,346,789)
Reconciling items		
Investments in Associated Undertakings	(180)	(730)
Finance Income Payable Net	441	361
Taxation	15,906	21,026
Deferred Taxation provision (net)	(3,989)	(63,639)
Restructuring Provision	15,879	8,043
Pension Benefit Liability	390,785	835,685
Capitalised Interest	2,664	-
Liabilities for non relevant eircom operating costs	94,319	91,739
Elimination of financing balances	339,383	338,148
Elimination of intercompany financing balances	1,698,152	1,624,311
Closing capital employed	1,413,736	1,508,155
Opening capital employed	1,508,155	1,361,011
Total adjusted mean capital employed before determined adjustments	1,460,945	1,434,583
Impact of changes to asset lives	318,549	287,891
Total mean capital employed	1,779,494	1,722,474
Wholesale Access	1,218,898	1,208,184
Wholesale Other	133,668	142,293
Retail	426,928	371,997
Total mean capital employed	1,779,494	1,722,474

Appendix 1: Explanatory Reports

Explanatory Report – HCA Separated Accounts

This explanatory report sets out and clarifies trends relating to relevant markets, including any significant future impact on eircom's business of Regulatory Decisions which have been published by ComReg. The report includes commentary in respect of:

- Trends relating to revenue, by Relevant Market;
- Trends relating to volumes, by Relevant Market;
- Significant period-on-period movements in the reported performance and balances;
- One-off or exceptional events in the period; and
- The impact of material changes in Accounting Policies, methodologies and estimation techniques (if any) and the extent to which they impact on eircom's Separated Accounts.

Overall the consolidated group position shows declining revenue with declines in each of wholesale access, wholesale other and retail.

Overall operating costs reduced 8%, with a larger decline of 13% in Wholesale Other and 9% decline in retail. Wholesale Access costs declined only 2%.

The overall return reduced by 14%, with a decline of 8% in Wholesale Access. There was an 8% reduction in the return on Wholesale Other whereas Retail return reduced 27%.

Investment in access network infrastructure and retail platforms contributed to a rise in overall capital employed, by over 3%.

Overall Return on Capital employed declined from 14% to 12%. Return on Wholesale Access was 10.3% compared to 11.3% in the previous year and the Return on Capital employed in Wholesale Other and in Retail were 20% and 14% respectively, compared to 20% and 22% in the prior year.

Each of the relevant markets is considered in more detail below.

Note that references to volumes in this report refer to average volumes in 2013/14 and growth trends refer to movements in average volumes compared to the prior year. Such movement may differ from changes between opening and closing volumes in the financial year, and in particular from growth measures in ComReg report 14/97, which contains Key Data for the market for the period to 30 June 2014.

Explanatory Report - Wholesale Access Business - Wholesale Fixed Narrowband Access

Market Definition

The market consists of links between end users and concentrators, including analogue and ISDN technologies.

Key Market Products

The Wholesale Fixed Narrowband Access market largely consists of products providing wholesale access to PSTN and ISDN lines, known as Single Billing Wholesale Line Rental ('SB-WLR'). eircom's Reference Interconnect Offer (RIO) includes a number of principal SB-WLR products within this market:

- PSTN and ISDN Connections
- PSTN Rentals
- ISDN Basic Rate Access (BRA) Rentals
- ISDN Primary Rate Access (PRA) Rentals
- ISDN Fractional Rate Access (FRA) Rentals

The market provides these services both externally to Other Authorised Operators ('OAOs') and internally to eircom Retail.

Regulatory Pricing Framework

Prices for SB-WLR products are set on a "Retail minus" basis, where products are offered at a minimum fixed discount to their retail equivalents. The current minimum price differential, established in May 2008 and in force throughout the year ended 30 June 2014, is 14%. The resultant maximum prices for the principal SB-WLR products are as follows:

Product	Price €
PSTN Connection	92.39
ISDN Connection	Varies
PSTN Rental	18.02
ISDN BRA Rental	27.95
ISDN PRA Rental	238.25
ISDN FRA Rental	143.18

eircom Retail offers promotional discounts on PSTN and ISDN Connections and Rental. eircom Wholesale also offer additional promotional prices.

eircom Wholesale introduced a WLR LEA Discount of €3.00 from 20 May 2013 to 31 December 2014 such that the discount was in force throughout 2013/14. The discount applies to PSTN lines linked to Broadband in the Larger Exchange Area (LEA). The LEA is an area defined by ComReg in Decision Notice D04/13 "Price Regulation of Bundled Offers" as those areas where ComReg considers the telephony and broadband markets to be more competitive. As the LEA expanded with the NGA footprint, the effective national average price for WLR reduced over time.

Regulatory Decisions in the Year

No relevant Regulatory Decisions were published in the year that had an immediate direct impact on WLR prices. ComReg consultation 14/26 referred to forthcoming consultations on access costs and prices but the draft direction contained within it maintains WLR at retail minus 14%.

Trends in Reported Balances

Revenues/Volumes

Overall eircom's volume in this market declined during the year due to the impact of fixed-mobile substitution and alternative technologies, and competition. eircom's 2% year on year reduction in average rental volumes contrasts with a rising national trend. According to data published by ComReg, fixed voice subscriptions in Ireland grew by 5.2% in the year to June 2014, as the continuing growth of cable subscriptions offset the decline in subscriptions to the eircom fixed network. The volume trend, coupled with the effect of the WLR

Explanatory Report - Wholesale Access Business - Wholesale Fixed Narrowband Access

discount on Broadband in the LEA, is reflected in a reduction in market revenues in the year.

eircom continues to experience losses in market share (at both retail level and combined retail and wholesale as percentage of overall market) in favour of Other Authorised Operators. eircom's revenue in the Wholesale Fixed Narrowband Market reduced by 7%. External revenues grew 4% while internal revenues fell.

Operating Costs/Profit

Overall operating costs have declined by 6%. This can be attributed to several factors:

- Underlying reduction in repair and maintenance costs in this market arising from efficiencies (in particular substantial staff reductions in December 2013) and lower line numbers
- One-off impact of a series of severe storms in December 2013 and January 2014 offset the underlying reduction such that repair and maintenance costs rose marginally
- A higher on-going fault index due to the aftermath of the storm damage and temporary repairs caused extra costs in the latter part of the year
- Depreciation rose 3%, partly due to investment incurred during storm recovery and higher depreciation on IT systems
- Other costs remained broadly in line with the previous year's level

As the reduction in operating costs was lower than the decline in market revenues, the return fell by 9%.

Return on Capital Employed

The Wholesale Access Mean Capital Employed (MCE) rose by 1% overall, but the MCE for the Wholesale Narrowband Access market declined by 5%. This reflects a shift of investment from Narrowband to Broadband Access, including Next Generation Access (NGA).

The combined impact of the reduction in the return and in capital employed in this market led to the Return on Capital Employed falling slightly to 12.6%, compared to 13.1% in prior year.

Exceptional Events/Methodology Changes

Revenue and returns in respect of Wholesale Fixed Narrowband Access were significantly affected by the storms in December 2013 and January 2014, and the significant change in staff numbers and work practices from December 2013.

Explanatory Report - Wholesale Access Business - Wholesale Unbundled Access

Market Definition

The market for Unbundled Access (also known as Wholesale Physical Network Infrastructure Access (WPNIA)) consists of the provision of direct access to eircom copper connections between customer premises and Main Distribution Frames (MDFs). This market provides services wholly to other OAOs, as eircom Retail acquires copper connections through more consolidated products (Wholesale Line Rental and Wholesale Bitstream Access).

Key Market Products

eircom's Access Reference Offer (ARO) includes two principal products:

- Unbundled Local Metallic Path (ULMP) - LLU
- Line Share (LS)

In addition a number of ancillary services exist in support of these principal services, including:

- Connection charges
- Co-Location fees
- Disconnection charges
- Site preparation charges

Regulatory Pricing Framework

Prices for Access Reference Offer services are subject to direct approval by ComReg. Under Decision D01/10 eircom was directed to charge no more than the following prices for Local Loop Unbundling (LLU) and Sub-Loop Unbundling (SLU) monthly rental and LS monthly rental to OAOs:

- LLU – €12.41 per line per month. This price applied up to 31 January 2013, and was reduced to €9.91 per month from 1 February 2013 onwards; and

- SLU – €10.53 per line per month. This price applied up to 31 January 2013, and was reduced to €9.03 per month from 1 February 2013 onwards.

Under Decision D04/09 eircom was directed to apply no more than a maximum of €0.77 per month as a Line Share recurring charge and this price has applied since 2009.

The average rental prices in force during the financial year for the principal services were therefore 12.8% lower than in 2012/13 for LLU (€9.91 compared to an average of €11.37 for the prior year) and 8.8% lower for SLU (€9.03 compared to an average of €9.90 for the prior year) as follows:

Service	Price €/month (up to 31 January 2013)	Price €/month (from 1 February 2013)
Unbundled Local Metallic Path	12.41	9.91
Sub-Loop Unbundled Metallic Path	10.53	9.03
Shared loop metallic path	0.77	0.77

There were some minor price reductions in prices for certain ancillary services associated with unbundled access during the year ended 30 June 2014.

Regulatory Decisions in the Year

ComReg published D03/13 (the NGA Decision) on 31 January 2013, which has significant provisions regarding access to infrastructure including duct and dark fibre, and provisions regarding the relative pricing of WPNIA, and WBA products and preparation of accounting and costing material.

Explanatory Report - Wholesale Access Business - Wholesale Unbundled Access

Trends in Reported Balances

Revenues/Volumes

Following the launch of Next Generation Access services on 20 May 2013, some wholesale customers commenced migration of line share or LLU end-users to active NGA products such as VUA, which are included in the Wholesale Broadband Access Market. This is offset by large volumes of connections by new entrants to the market utilising line share, such that overall volumes are growing.

This market has experienced a significant increase in level of activity year on year. In particular, connection activity increased by 43%, but due to migration from line share to NGA, the average base grew far less: 27% for line share with almost no change in average LLU volumes. Much of the volume growth was in the earlier part of the year as Sky gained a foothold in the market but migration of customers to NGA offset this as the year progressed.

The small increase (3%) in revenues in this market arises due to a combination of:

- Adjustments arising from settlements of disputes
- Line share volume (connection and rental) increased at constant prices
- Rental price reductions for LLU in February 2013 reduced average revenues per line over the prior year. As volumes were almost unchanged, LLU rental revenues declined by 6%
- Reductions in revenues associated with connections and reductions in the amounts recognised in respect of co-location charge

Overall Operating Costs/Profit

Overall operating costs for unbundled access have reduced slightly (by 1%). The return has improved slightly but remains substantially negative.

Return on Capital Employed

Line share accounts for the bulk of the unbundled access activity, but it does not involve any significant capital employed as it is priced on an incremental cost basis.

While Mean Capital Employed has increased by 7%, the relatively small revenues and low usage of network assets suggests the Return on Capital employed is not very meaningful.

Exceptional Events/Methodology Changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale unbundled access.

Explanatory Report - Wholesale Access Business - Wholesale Broadband Access

Market Definition

The market is defined by ComReg as consisting of:

- Wholesale Broadband Access ('WBA') provided over DSL/copper network infrastructure; and
- Wholesale Broadband Access provided over fibre network infrastructure.

Key Market Products

eircom's Bitstream Access Reference Offer (BARO) currently includes three principal types of products

- ADSL Legacy Bitstream access
- ADSL Bitstream Managed Backhaul (BMB) access, including port rental and traffic
- VDSL Next Generation Access (NGA) products, provided by a combination of fibre to the cabinet (FTTC) and copper pair distribution from cabinet to customer premises, (launched on 20 May 2013)
- Multicast Bitstream service, which supports delivery of linear TV services

These products are segmented by service characteristic, primary line speed and contention ratio. The products are offered both externally to OAOs and internally to eircom Retail.

Although the multicast service was launched on 20 May 2013, the first commercial user was eircom's own retail service, eVision, which was made available to end users from October 2013.

Regulatory Pricing Framework

Prior to the publication on 9 July 2014 of D11/14 "Wholesale Broadband Access: Price Control for Current Generation Broadband", many prices for current generation Bitstream products were controlled primarily by D01/06 which was designed to ensure that eircom shall,

pursuant to Regulation 14 of the Access Regulations, have SMP obligations relating to wholesale price control in the market for WBA, in the form of a retail minus price control. The control specified the minus element as a combination of a monetary amount and percentage, which differed for each product.

Next Generation Wholesale Broadband Access is governed by the provisions of D03/13.

The main price changes impacting on the WBA market revenues were the reduction of the Bitstream Managed Backhaul usage charges. From 1 July 2012 to 30 June 2013 a price of €30 per Mb applied. The price was reduced to €20 per Mb from 1 July 2013. On 1 February 2014 the price was reduced to €10 for Next Generation WBA, and on 1 March 2014 there was a further reduction to €15 for current generation WBA. These price reductions were offset by increases in traffic volumes.

Explanatory Report - Wholesale Access Business - Wholesale Broadband Access

Regulatory Decisions in the Year

ComReg had signalled its intention to revise the provisions of D01/06 for some time and initiated a consultation on price controls for Wholesale Broadband on 19 September 2013. This culminated in the Decision D11/14 in July 2014. Although the decision came after the year-end for 2013/14, ComReg expects the provisions (including a requirement for new Additional Financial Information) to take immediate effect and therefore they will be incorporated as part of the 2013/14 Regulated Accounts.

Trends in Reported Balances

Revenues/Volumes

According to ComReg, growth in the overall market for fixed broadband in Ireland was 7.4% in the year to 30 June 2014 with significant growth in cable (9.7%) and unbundled access (19.6%), while eircom's DSL volumes fell. The launch of NGA in May 2013 resulted in small volumes in 2012/13 but there was very significant NGA growth in 2013/14.

There was a decline in of 11% in Legacy bitstream ports driven by the extension of the BMB footprint (with BMB replacing legacy service in some rural areas). However, the introduction of NGA meant that BMB average volumes in turn fell by 4% as migration from BMB to NGA outweighed the gains from legacy services

Revenues in the Wholesale Broadband Access market increased 15% year on year. Price reductions on Bitstream Managed Backhaul usage charges led to a 12% decrease in BMB usage revenue despite significant growth in average peak traffic per user. Migration to higher priced 24Mb ports explains why port revenue increased despite a decline in volume.

Bitstream Plus is the product name for NGA wholesale service, and the rapid growth reflects a low starting base.

Operating Costs/Profit

Overall operating costs increased by 18%, partly due to the launch of NGA. As the scale of cost increase exceeded the increase in revenue, the overall return was 6% lower.

Return on Capital Employed

Mean capital employed increased by 32% in the year, due partly to investment in NGA. As this rate of increase exceeded the increase in operating profit, the Return on Capital Employed dropped to 3.99% compared to 5.58% in the previous year.

Exceptional Events/Methodology Changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale broadband access.

Explanatory Report - Wholesale Access Business - Wholesale Leased Lines

Market Definition

This market consists of the supply of all leased line connectivity to OAOs and eircom Retail. This market consists of three broad leased lines categories:

- Partial Private Circuit (PPC)
- Wholesale Leased Lines
- Wholesale Ethernet Services

Key Market Products

These products are segmented by service characteristic, primary capacity/bandwidth and distance.

Regulatory Pricing Framework

Prices for all Partial Private Circuits and Wholesale Leased Line products with a capacity of 2Mb and below are published in eircom's Leased Line Reference Offer (LLRO). Prices for all other products in the Wholesale Leased Lines market are subject to regulatory approval.

Regulatory Decisions in the Year

No significant Regulatory Decisions were published in the year.

Trends in Reported Balances

Revenues/Volumes

ComReg does not publish statistics for the Wholesale Leased Line market for confidentiality reasons and so we do not divulge eircom volumes in detail in these statements. Overall eircom's volume and revenues in this market are in decline due to the increase in competition from alternative infrastructure, including self-supply by OAOs. The overall decline is only partly counteracted by the growth of Next Generation Data products.

This reduction in demand has been reflected by a 10% decline in market revenues. Ethernet rental revenue grew by €4 million (18%) reflecting the continuing market shift to IP based services. However, PPC and Leased Line rental revenue fell by €11 million (23%).

Operating Costs/Profit

Overall operating costs have reduced by 14%. This is due primarily to a reduction in repair and maintenance costs, and reduced depreciation. The reduction in operating costs almost offset the decline in market revenues, with the result of reducing operating profits by less than 1% compared to the prior year.

Return on Capital Employed

The mean capital employed for Wholesale Leased Line business has reduced by 9%. This combined with the stable return increased the return on capital employed to over 12%.

Exceptional Events/Methodology Changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of Wholesale Leased Lines.

Explanatory Report - Wholesale Other Business - Wholesale Call Origination

Market Definition

This market consists of the conveyance of calls originating on eircom exchange lines from the subscriber units to the relevant parent exchange.

Key Market Products

eircom’s Reference Interconnect Offer (RIO) includes a number of products that utilise call origination:

- Primary Call Origination
- Single Tandem Call Origination
- Double Tandem Call Origination

The Call origination market represents two wholesale products:

- External Call Origination – which includes the provision of the above call origination services to OAOs, which interconnect with eircom at different levels.
- Internal Call Origination – which includes the provision of call origination for eircom Retail and other on-net calls types such as white label products. Call completion of on-net calls require network services beyond those available to OAOs. For this, a charge is derived from the cost inputs in the Wholesale Call Conveyance pricing model for Primary Call Origination.

In the context of external call origination, the Single Tandem and Double Tandem Call Origination services comprise network services extending beyond the parent exchange. As the call origination market is limited to conveyance up to and including the local parent exchange, eircom has identified the Primary Call Origination charge as being the appropriate charge to apply to this market. Therefore the Tandem and Double Tandem revenues exclude those charge elements in excess of

the Primary rates with the differential being reported in the Transit market.

Regulatory Pricing Framework

Prices for RIO call origination services are subject to direct approval by ComReg. Under Decision D04/07 Market Analysis Interconnections Market Review: Wholesale Call Outstanding and Transit Services) prices are required to be cost oriented and such costs are required to be calculated using a pricing model. This pricing model should be based on forward looking long run incremental costs (“FL-LRIC”) or an alternative pricing model, if ComReg decides, following consultation, to adopt such an alternative pricing model. Prices are published in the “eircom Reference Interconnect Offer price list”. There were no price changes since the reduction on 1 July 2012, so the same prices applied throughout 2013/14 and the prior year. The Call Origination prices in force during the financial year ended 30 June 2014 were as follows:

Charging Level	eircom National Origination (Euro Cent)					
	Cent per Minute			Cent per Call		
	Day	Evening	Weekend	Day	Evening	Weekend
Primary	0.2344	0.1301	0.1144	0.666	0.3689	0.3231
Single Tandem	0.3398	0.1877	0.1645	0.7362	0.4073	0.3565
Double Tandem	0.4194	0.232	0.203	0.7694	0.4255	0.3727

Regulatory Decisions in the Year

No relevant Regulatory Decisions were published in the year. However, on 4 April 2014 ComReg issued a Market Review consultation (14/26) and draft decision on Call Origination and Transit Markets. The draft decision proposes that the boundary between call origination market and transit market will be redefined, such that all call origination revenues, including the full revenue from tandem and double tandem call origination, would be regarded as call origination

Explanatory Report - Wholesale Other Business - Wholesale Call Origination

revenue. ComReg had not yet made a decision in these markets as at 30 June 2014.

Trends in Reported Balances

Revenues/Volumes

Overall this market is in steady decline due to the impact of fixed mobile substitution, alternative technologies, and competition on both the total number of call minutes supplied and the proportion of those minutes originating on fixed lines. This is reflected in a 12% reduction in both the volume of origination minutes and in call volume.

This volume reduction coupled with stable prices led to an overall reduction in origination revenues of 11%.

Operating Costs/Profit

Overall operating costs in this market have declined by 18% so that operating profits were 28% higher than the prior year.

Return on Capital Employed

The total mean capital employed in this market declined by 18%. Taken together with the improvement in operating profit, the result was that Return on Capital Employed increased to over 10%. However, we note that joint and common costs which are no longer recovered in call termination prices, as a result of setting FTRs on a pure LRIC cost basis, may in future be recovered from other products, such as call origination.

Exceptional Events/Methodology Changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale call origination.

Explanatory Report - Wholesale Other Business - Wholesale Call Transit

Market Definition

This market consists of the conveyance of calls to parent exchanges and gateway exchanges.

Key Market Products

eircom's Reference Interconnect Offer (RIO) includes a number of products that utilise call transit:

- Single Tandem Call Origination
- Double Tandem Call Origination
- Single Tandem Call Termination
- Double Tandem Call Termination

In essence, the above call types (include both a transit component and a component from either market 2 (call origination) or market 3 (call termination)).

The remaining call type is National Transit. The high revenues reported reflect the fact that the price for transit calls to mobile or Number Translation Codes (NTC, e.g. Premium rate calls) must also recover the relevant outpayment.

The Call Transit market represents two wholesale products;

- External Call Transit –The revenues associated with national transit after extraction of the relevant element of origination and termination
- Internal Call Transit –The provision of call transit (including charges for additional internal network links) for on-net calls. The prices for additional links are derived from the associated charge elements in excess of the Primary rates for Call Origination, and from the Wholesale Call Conveyance pricing model.

Regulatory Pricing Framework

Prices for RIO call services are subject to direct approval by ComReg. Under Decision D04/07 (document 07/80) prices are required to be cost oriented and such costs shall be calculated using a pricing model based on forward looking long run incremental costs ("FL-LRIC") or an alternative pricing model, if ComReg decides, following consultation, to adopt such an alternative pricing model. The external prices in force during the financial year were as follows:

Service description	Cent per Minute			Cent per Call		
	Day	Evening	Weekend	Day	Evening	Weekend
National transit	0.2040	0.1120	0.0980	0.6210	0.3440	0.3010

Regulatory Decisions in the Year

No relevant Regulatory Decisions were published in the year. In particular, the Decision D12/12 (Fixed Voice Call Termination Rates) does not apply to the transit market. However, on 4 April 2014 ComReg issued a Market Review consultation on Call Origination and Transit Markets. As noted above, the draft decision proposes that the boundary between call origination market and transit market will be redefined, such that all call origination revenues, including the full revenue from tandem and double tandem call origination, would be regarded as call origination revenue and no part would be regarded as transit revenue. ComReg had not made a decision as at 30 June 2014.

Trends in Reported Balances

Revenues/Volumes

This market is in overall decline resulting in a 10% reduction in transit minutes and calls.

Revenue declined by 13% year on year, with the decline due to eircom's retail business, while external revenue grew.

Explanatory Report - Wholesale Other Business - Wholesale Call Transit

Operating Costs/Profit

Overall operating costs for call transit declined by 16%, primarily due to a reduction in cost of sales. This reduction was larger than the decline in market revenues, and as a result the service is now showing a small operating profit rather than the loss shown in 2012/13.

Return on Capital Employed

Overall mean capital employed reduced by 26%. As there is a positive return, and much reduced MCE, the ROCE is now 6%.

Exceptional Events/Methodology Changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in respect of wholesale call transit.

Explanatory Report - Wholesale Other Business - Wholesale Call Termination

Market Definition

This market consists of the conveyance of calls terminating on geographic numbers on eircom exchange lines from relevant parent exchanges to the subscriber unit.

Key Market Products

eircom's Reference Interconnect Offer (RIO) includes a number of products that utilise call termination;

- Primary Call Termination
- Single Tandem Call Termination
- Double Tandem Call Termination

The Call Termination market represents two wholesale products:

- External Call Termination – which includes the provision of the above call termination services sold to OAOs, which interconnect with eircom at different levels.
- Internal Call Termination – which includes the provision of call termination for eircom Retail and other on-net call types such as white label products. Call completion of on-net calls require network services beyond those available to OAOs. For this, a charge is derived from the cost inputs in the Wholesale call conveyance pricing model for Primary Call Termination.

In the context of external call termination, the Single Tandem and Double Tandem Call Termination services comprise network services extending beyond the parent exchange. As the call termination market is limited to conveyance up to and including the local parent exchange, eircom has identified the Primary Call Termination charge as being the appropriate charge to apply to this market. Therefore the Tandem and Double Tandem revenues exclude those charge elements in excess of the Primary rates with the differential being reported in the Transit market.

Regulatory Pricing Framework

Prices for RIO Call Termination services are subject to direct approval by ComReg. Under Decision D06/07 (document 07/109) Section 10.1 prices are required to be cost oriented and such costs are required to be calculated using a pricing model based on forward looking long run incremental costs ("FL-LRIC") or an alternative pricing model, if ComReg decides, following consultation, to adopt such an alternative pricing model. Prices are published in the "eircom Reference Interconnect Offer price list".

On 21 November 2012 ComReg published Decision D12/12 which governs the prices for voice termination on fixed and mobile networks. The price control applies to all fixed operators with SMP in termination on their own network. Operators are directed to set prices for Call Termination services to recover only pure LRIC costs from 1 July 2013. This decision did not impact on revenues for the year ended 30 June 2013. The revised rates are set out below.

Fixed Termination Rate (FTR) as per D12/12	Maximum charge per min	Maximum charge per call
	Euro cent	Euro cent
From 1 July 2013 to 30 June 2014	0.070	0.075
From 1 July 2014 to 30 June 2015	0.060	0.068
From 1 July 2015 to 30 June 2016	0.049	0.060

The Call Termination prices in force during the financial year were as directed.

As a result of the D12/12 decision, call termination minute related revenue per minute fell by approximately 64% compared to 2012/13, while call related revenue per call fell by 87%. However, although revenues reflect pure LRIC pricing, the cost allocation to this market remains on a fully allocated historic cost basis and so a much lower reduction in cost occurred.

Explanatory Report - Wholesale Other Business - Wholesale Call Termination

In the decision ComReg indicated that fixed and common costs no longer recovered from Call Termination revenues may be recovered from other wholesale services so these financial statements must be read in that context.

Regulatory Decisions in the Year

There were no relevant Regulatory Decisions in the year.

Trends in Reported Balances

Revenues/Volumes

Overall this market is in steady decline due to the impact of fixed mobile substitution and alternative technologies, and competition on both the total number of minutes supplied and the proportion terminating on fixed lines. This is reflected in a 7% reduction in termination minutes.

The combination of the volume reduction and price reductions on 1 July 2013 led to an overall reduction in termination revenues of 76%.

Operating Costs/Profit

Overall operating costs have declined by 13%. The reduction in operating costs has little effect in mitigating the decline in market revenues, so operating profits of €2.6m in the previous year have turned into a loss of almost €8.5m in the current year.

Return on Capital Employed

The mean capital employed in this market declined by 16%. This reflects both the shift in shared asset allocation away from legacy network platforms such as PSTN Switching and an underlying decline in the switching asset values.

Return on Capital Employed therefore reduced from 6.76% in the prior year to negative 26.32% in 2013/14.

Exceptional Events/Methodology Changes

No exceptional events occurred in the year that materially impacted on the revenue or returns in this market.