



Historical Cost Separated Accounts

For the year ended 30 June 2017

Financial Statements

Contents

	Page
Introduction	2
Statement of Directors' Responsibility for preparing the Separated Accounts	4
Report of the Independent Auditors to eircom Limited and ComReg	5
Consolidated Income Statement	8
Consolidated Statement of Mean Capital Employed	9
Wholesale Access	
Income Statement	10
Statement of Mean Capital Employed	11
Wholesale Fixed Narrowband & Unbundled Access - Statement of average cost and revenue by service	12
Wholesale Broadband Access - Statement of average cost and revenue by service	13
Wholesale Leased Lines - Statement of average cost and revenue by service	14
Wholesale Other	
Income Statement	15
Statement of Mean Capital Employed	16
Retail	
Income Statement	17
Statement of Mean Capital Employed	18
Statement of Costs	19
Network Cost Market Summary	21
Notes to the Financial Statements	
1. Basis of Preparation	23
2. Intra/Inter Business Turnover Reconciliation	25
3. Income Statement Reconciliation	26
4. Statement of Mean Capital Employed Reconciliation	27
Annex 1 Explanatory Reports	28

Introduction

eircom Limited 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 Limited has been designated with SMP in a number of markets and in each case is subject to obligations of accounting separation and cost accounting.

The Historical Cost Separated Accounts for the year ended 30 June 2017 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') insofar as they apply to the year ended 30 June 2017:

- 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
- 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
- D15/14 'Cost of Capital', dated 18 December 2014

Financial Statements have to be prepared for the following Market Groups and, where applicable, Individual Markets within these Market Groups:

Market Group	Markets
Wholesale Access	Wholesale Fixed Narrowband & Unbundled Access Wholesale Broadband Access Wholesale Leased Lines
Wholesale Other	Wholesale Interconnect Call Conveyance 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 Documentation, dated 30 November 2017.

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 8.18%. The annual Rate of Return was mandated by ComReg in D15/14.

Statement of Directors' 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 Limited has been designated with SMP in a number of markets and in each case is subject to obligations of accounting separation and cost accounting. ComReg Decision D08/10 (the "Decision Instrument") of 31 August 2010 specifies the manner in which eircom Limited 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 Instrument 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 2017 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 average costs and revenue (if applicable);
- a statement of costs (if applicable);
- a network cost market summary (if applicable).

Each Statement is prepared in accordance with the Accounting Documents. 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.

The financial statements are reconciled with the Annual Report and that reconciliation is demonstrated and explained.

eircom Limited confirms that the Financial Statements for the year ended 30 June 2017 fairly present, in accordance with the Primary Accounting Documents dated 30 November 2017, the results, mean capital employed and costs incurred by eircom Limited and comply with the requirements of the Decision Instrument and the governing legislation.

Huib Costermans
Chief Financial Officer
On Behalf of the Board
30 November 2017

Report of the Independent Auditors to eircom Limited (Jersey) 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 2017 which comprise:
 - the Consolidated Income Statement and Consolidated Statement of Mean Capital Employed on pages 8 and 9;
 - 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 and Unbundled Access, Wholesale Broadband Access and Wholesale Leased Lines, on pages 12 to 14;
 - the Statement of Costs on page 19;
 - the Network Cost Market Summary on page 21; and
 - the Notes to the financial statements on pages 23 to 27.
2. The Market Financial Statements comprise the following statements for the year ended 30 June 2017:
 - The Wholesale Access Income Statement and Statement of Mean Capital Employed on pages 10 and 11, including the Income Statements for the Wholesale Access Markets;
 - The Wholesale Other Income Statement and Statement of Mean Capital Employed on pages 15 and 16 including the Income Statements for the Wholesale Other Markets; and
 - The Retail Income Statement and Statement of Mean Capital Employed on pages 17 and 18 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), D04/09 (dated August 2009) and D15/14 (dated 18 December 2014) (together “the Regulations”);
- The Primary Accounting Documents dated 30 November 2017.

Responsibilities of the directors for the Separated Accounts

4. As explained more fully in the Statement of Directors’ Responsibilities set out on page 4, the Directors are responsible for the preparation of the Separated Accounts in accordance with the Decision Instrument and for being satisfied that they are fairly presented. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Separated Accounts that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibilities for the audit of the Separated Accounts

5. Our responsibilities, as independent auditors, are established in Ireland by the Decision Instrument, International Standards on Auditing (Ireland) (“ISAs (Ireland)”) and our profession’s ethical guidance. Our objectives are to obtain reasonable assurance about whether the Separated Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists, Misstatements can arise from fraud or error and are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Separated Accounts.

Report of the Independent Auditors to eircom Limited (Jersey) and ComReg

A further description of our responsibilities for the audit of the Separated Accounts is located on the Irish Auditing and Accounting Supervisory Authority website at:

www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf. This description forms part of our auditors' report.

Other matter

6. The statutory financial statements of eircom Limited have been prepared on the going concern basis. As noted in section 5.2 in the primary accounting documents the Statutory Financial Statements were approved on September 12, 2017, and directors' assessment of the Group's ability to continue as a going concern was performed as of that date. The assessment reflects the financial position of the group at September 12, 2017 and the directors are not required to and have not performed an updated assessment for the purposes of the Separated Accounts. We have not performed an assessment in respect of going concern for the purposes of the Separated Accounts.

Use of this report

7. 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 expressly agreed by our prior consent in writing.

Basis of audit opinion

8. As explained in the "Basis of Preparation" in note 1a, the Company prepared the Separated Accounts by disaggregating balances recorded in the general ledgers and other accounting records of eircom Limited and its subsidiaries (the "Group"), as amended by Directions published by ComReg, which were maintained in accordance with Companies (Jersey) Law 1991 and used, in accordance with that legislation, for the preparation of the Company's statutory consolidated financial statements for the year ended 30 June 2017 ("the Statutory Financial Statements").

PricewaterhouseCoopers audited the Statutory Financial Statements for the year ended 30 June 2017 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.

9. Having regard to the above:
 - we conducted our audit of the Separated Accounts in accordance with ISAs (Ireland) and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the Separated Accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report of the Independent Auditors to eircom Limited (Jersey) and ComReg

Reporting on other information

10. The other information comprises of the Introduction on pages 2 to 3 and the Explanatory Reports on pages 28 to 36. The directors are responsible for the other information. Our opinion on the Separated Accounts does not cover the other information and, accordingly we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the Separated Accounts, our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the Separated Accounts or our knowledge obtained in the audit, or otherwise appear to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Separated Accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independence

11. We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the Separated Accounts in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Opinion

In our opinion:

- the Separated Accounts as a whole for the year ended 30 June 2017, fairly present in accordance with the Primary Accounting Documents dated 30 November 2017, the results, mean capital employed and costs incurred by eircom Limited and comply with the requirements of the Decision Instrument.
- each of the Market Financial Statements for the year ended 30 June 2017, fairly present in accordance with the Primary Accounting Documents dated 30 November 2017, the results, mean capital employed and costs incurred by eircom Limited and comply with the requirements of the Decision Instrument.

Other matters on which we are required to report by exception

12. In addition, we are required to report to you if, in our opinion the Company has not kept adequate 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. We have no exception to report arising from this responsibility.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
30 November 2017

Consolidated

INCOME STATEMENT For the year ended 30 June 2017	30-Jun-17				30-Jun-16			
	Total	Wholesale Access	Wholesale Other	Retail	Total	Wholesale Access	Wholesale Other	Retail
	€000	€000	€000	€000	€000	€000	€000	€000
Revenue	1,677,463	484,697	197,642	995,124	1,731,526	501,389	217,606	1,012,531
Operating costs	1,455,105	323,210	180,171	951,724	1,513,948	334,204	206,264	973,480
Return	222,358	161,487	17,471	43,399	217,578	167,185	11,342	39,051
Mean capital employed	1,753,900	1,255,751	115,139	383,010	1,752,523	1,240,674	110,552	401,297
Return on capital employed	13%	13%	15%	11%	12%	13%	10%	10%

Consolidated

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2017	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16
	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	1,615,604	1,299,852	126,743	189,010	1,619,353	1,279,290	132,060	208,003
Intangible Assets	309,450	29,508	4,100	275,842	290,081	26,200	2,657	261,224
Other	19,154	6,734	2,463	9,957	18,578	6,772	2,756	9,050
Total Non Current Assets	1,944,208	1,336,093	133,306	474,809	1,928,010	1,312,261	137,473	478,277
Current Assets								
Inventories	13,802	5,383	710	7,709	10,529	3,787	615	6,127
Trade and other receivables	243,781	35,605	49,640	158,537	245,243	42,216	41,638	161,389
Cash and cash equivalents	158,737	55,445	18,654	84,638	176,066	68,952	25,822	81,292
Total Current Assets	416,320	96,432	69,003	250,884	431,838	114,955	68,075	248,808
Total Assets	2,360,528	1,432,525	202,310	725,692	2,359,848	1,427,215	205,548	727,085
Liabilities								
Trade and other payables	(526,653)	(122,716)	(75,873)	(328,064)	(517,292)	(128,701)	(82,603)	(305,988)
Provisions for liabilities and charges	(79,973)	(54,058)	(11,298)	(14,617)	(90,033)	(57,840)	(12,393)	(19,800)
Total Liabilities	(606,626)	(176,774)	(87,171)	(342,682)	(607,325)	(186,541)	(94,996)	(325,788)
Mean Capital Employed for the year	1,753,900	1,255,751	115,139	383,010	1,752,523	1,240,674	110,552	401,297

Wholesale Access

INCOME STATEMENT								
For the year ended 30 June 2017		30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-16	30-Jun-16	30-Jun-16	
	Total	Wholesale Fixed Narrowband & Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband & Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines
	€000	€000	€000	€000	€000	€000	€000	€000
Revenue								
External revenue	175,980	70,395	77,134	28,453	171,494	82,567	62,053	26,873
Internal revenue - Inter	11,223	21	-	11,202	11,453	74	-	11,379
Internal revenue - Intra	297,494	191,569	79,284	26,641	318,442	217,551	75,493	25,398
Total revenue	484,697	261,985	156,418	66,295	501,389	300,194	137,546	63,650
Costs								
Cost of Sales	1,602	(169)	1,634	137	2,803	959	652	1,192
Product development and management	3,138	1,119	1,516	503	3,036	1,085	952	999
Marketing and sales	2,964	1,486	1,034	444	3,560	1,926	1,048	585
Repair and maintenance	63,879	47,213	13,598	3,068	68,457	52,909	12,292	3,256
Finance	5,595	2,947	2,026	622	5,031	2,830	1,636	565
Installation/Provisioning	11,264	6,577	3,821	866	13,026	8,299	3,730	997
Network support	38,294	17,471	16,744	4,079	39,130	20,036	14,747	4,348
General management	11,521	6,124	4,101	1,296	12,740	7,575	3,810	1,354
Accommodation	23,695	7,789	12,693	3,213	24,128	8,351	12,482	3,295
Information Technology	6,607	2,763	3,091	753	7,963	4,742	2,284	935
Transport	6,995	4,721	1,820	454	7,159	5,228	1,426	506
Personnel and administration	3,395	1,896	1,137	362	2,835	1,708	804	324
Other operating expenses	203	171	9	23	545	470	70	4
Credit management and billing	279	36	(32)	275	721	(65)	347	439
Depreciation	146,639	65,863	59,694	21,081	146,422	69,575	56,423	20,426
Total HCA wholesale operating costs	326,068	166,006	122,886	37,176	337,557	185,627	112,704	39,227
Transfer charges from Retail	-	-	-	-	-	-	-	-
Exceptional (Gain) / Loss	(2,858)	(870)	(1,366)	(621)	(3,352)	(1,248)	(1,662)	(443)
Total Operating costs	323,210	165,136	121,520	36,554	334,204	184,379	111,041	38,784
Return	161,487	96,848	34,898	29,741	167,185	115,815	26,504	24,866
Mean capital employed	1,255,751	659,224	452,478	144,048	1,240,676	702,995	398,784	138,896
Return on capital employed	13%	15%	8%	21%	13%	16%	7%	18%

Wholesale Access

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2017	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16
Total		Wholesale Fixed Narrowband & Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines	Total	Wholesale Fixed Narrowband & Unbundled Access	Wholesale Broadband Access	Wholesale Leased Lines
€000	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets								
Property, Plant and Equipment	1,299,851	696,127	460,198	143,525	1,279,290	735,209	401,781	142,301
Intangible Assets	29,508	13,447	13,786	2,276	26,200	12,766	11,411	2,023
Other	6,734	2,906	3,162	667	6,772	3,250	2,691	831
Total Non Current Assets	1,336,093	712,480	477,146	146,467	1,312,262	751,225	415,882	145,153
Current Assets								
Inventories	5,383	2,067	3,040	276	3,787	1,413	2,044	329
Trade and other receivables	35,605	16,225	5,000	14,380	42,216	22,153	10,298	9,766
Cash and cash equivalents	55,445	24,549	25,930	4,965	68,952	34,428	26,803	7,721
Total Current Assets	96,432	42,842	33,970	19,621	114,955	57,994	39,145	17,816
Total Assets	1,432,525	755,321	511,116	166,088	1,427,217	809,218	455,027	162,969
Liabilities								
Trade and other payables	(122,715)	(56,307)	(47,008)	(19,400)	(128,701)	(63,082)	(44,824)	(20,795)
Provisions for liabilities and charges	(54,059)	(39,790)	(11,630)	(2,639)	(57,840)	(43,142)	(11,419)	(3,278)
Total Liabilities	(176,774)	(96,097)	(58,638)	(22,039)	(186,541)	(106,225)	(56,243)	(24,073)
Mean Capital Employed for the year	1,255,751	659,224	452,478	144,048	1,240,676	702,995	398,784	138,896

Wholesale Access

Wholesale Fixed Narrowband & Unbundled Access

Statement of average cost and revenue by service

For the year ended 30 June 2017

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	
Jun-17	70,395	191,590	261,985	165,136	96,848	36.97%	659,224	14.69%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
SB WLR PSTN Rental & Connections	61,856	155,784	217,640	1,129	Lines	16.07	14.40	112%
SB WLR ISDN BRA Rental & Connections	3,265	17,264	20,529	57	Lines	30.00	17.41	172%
SB WLR ISDN FRA/PRA Rental & Connections	2,175	18,521	20,696	6	Lines	268.08	106.91	251%
LLU & Line Share Connections	141	-	141		n.m			
LLU Rental	1,049	-	1,049	9	Lines	9.24	16.31	57%
Line Share Rental	610	-	610	46	Lines	1.11	0.13	876%
Physical Co-location	1,297	21	1,319		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	
Jun-16 (Restated)	82,567	217,625	300,194	184,379	115,815	38.58%	702,995	16.47%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
SB WLR PSTN Rental & Connections	73,491	179,820	253,311	1,162	Lines	18.17	15.38	118%
SB WLR ISDN BRA Rental & Connections	3,575	17,887	21,463	60	Lines	29.60	17.83	166%
SB WLR ISDN FRA/PRA Rental & Connections	2,289	19,844	22,133	7	Lines	265.66	114.30	232%
LLU & Line Share Connections	86	-	86		n.m			
LLU Rental	1,307	-	1,307	11	Lines	9.92	15.83	63%
Line Share Rental	703	-	703	54	Lines	1.08	0.22	500%
Physical Co-location	1,116	74	1,191		n.m			

Wholesale Access

Wholesale Broadband Access

Statement of average cost and revenue by service

For the year ended 30 June 2017

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	
Jun-17	77,134	79,284	156,418	121,520	34,898	28.72%	452,478	7.71%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	2,788	4,090	6,878		n.m			
CGA Rental	19,327	21,650	40,977	375	Lines	9.11	5.77	158%
NGA Rental	41,616	30,355	71,970	505	Lines	11.88	13.29	89%
CGA Usage	6,326	6,848	13,174	258	Lines	4.25	4.04	105%
NGA Usage	7,076	16,342	23,418	359	Lines	5.44	7.40	74%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-16 (Restated)	62,053	75,493	137,546	111,041	26,504	19.27%	398,784	6.65%

Service	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	2,409	3,833	6,242		n.m			
CGA Rental	23,283	27,494	50,778	456	Lines	9.27	5.12	181%
NGA Rental	19,764	20,567	40,332	356	Lines	9.43	14.84	64%
CGA Usage	8,725	9,079	17,803	301	Lines	4.93	4.28	115%
NGA Usage	7,872	14,520	22,392	332	Lines	5.62	7.63	74%

Average Rental revenue and costs are monthly averages

Rental volumes are average volumes

n.m = not measurable

Wholesale Access

Wholesale Leased Lines

Statement of average cost and revenue by service

For the year ended 30 June 2017

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	
Jun-17	28,453	37,843	66,295	36,554	29,741	44.86%	144,048	20.65%

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	635	378	1,012		n.m			
Wholesale Ethernet Rental	17,855	27,436	45,291		n.m			
Wholesale LL Rental <155Mb	1,511	6,303	7,813	2,559	Circuits	254	153	166%
Wholesale LL Rental >=155 Mb	2,083	1,639	3,722	0.025	Circuits	12,574	14,950	84%
PPC EULs Rental < 155MB	6,066	1,828	7,894	2,565	Circuits	256	124	207%
PPC EULs Rental >= 155MB	303	260	563	0.017	Circuits	2,707	1,628	166%

	External revenue	Internal revenue	Total revenue	Total operating costs	Return	Return on Turnover	Mean capital employed	ROCE
	€000	€000	€000	€000	€000		€000	
Jun-16	26,873	36,777	63,650	38,784	24,866	39.07%	138,896	17.90%

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	511	434	945		n.m			
Wholesale Ethernet Rental	14,476	25,668	40,143		n.m			
Wholesale LL Rental <155Mb	2,226	6,223	8,449	2,815	Circuits	250	160	157%
Wholesale LL Rental >=155 Mb	2,021	2,044	4,065	0.026	Circuits	13,198	15,343	86%
PPC EULs Rental < 155MB	7,287	1,892	9,179	2,760	Circuits	277	163	170%
PPC EULs Rental >= 155MB	352	517	869	0.027	Circuits	2,716	1,481	183%

Average circuit revenue and costs are monthly averages

Circuit volumes are average volumes

n.m = not measurable

Wholesale Other

INCOME STATEMENT					INCOME STATEMENT				
For the year ended 30 June 2017					For the year ended 30 June 2016				
	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17		30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16
	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Wholesale Residual (Unregulated)
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Revenue									
External revenue	133,266	34,748	15,144	83,373	137,570	37,716	16,577	83,277	
Internal revenue - Inter	16,253	7,486	1,643	7,124	20,203	10,102	1,894	8,208	
Internal revenue - Intra	48,123	29,900	2,862	15,361	59,832	42,539	3,023	14,270	
Total revenue	197,642	72,135	19,649	105,858	217,606	90,357	21,493	105,755	
Costs									
Cost of Sales	68,472	53,818	(41)	14,694	87,987	69,473	(99)	18,613	
Product Development and management	1,015	107	387	521	1,296	274	408	614	
Marketing and Sales	2,191	45	155	1,991	2,599	84	175	2,339	
Repair and maintenance	6,077	5,022	444	610	6,840	5,075	1,054	710	
Finance	976	397	106	474	885	377	103	405	
Installation/Provisioning	1,233	-	312	920	1,225	-	276	949	
Network support	5,414	3,045	433	1,935	5,742	3,191	519	2,032	
General management	2,431	686	308	1,437	2,511	852	271	1,388	
Accommodation	7,085	4,881	715	1,489	7,356	4,922	721	1,712	
Information Technology	1,374	509	189	675	1,498	688	199	611	
Transport	509	159	61	289	518	158	72	289	
Personnel and administration	610	188	64	358	427	156	51	220	
Other operating expenses	3,340	45	22	3,273	3,956	9	5	3,941	
Credit management and billing	1,044	176	242	625	1,028	(213)	224	1,016	
Depreciation	20,255	8,866	1,614	9,774	20,962	10,859	1,864	8,239	
Total HCA wholesale operating costs	122,025	77,947	5,011	39,066	144,829	95,905	5,844	43,079	
Transfer charges from Wholesale / Revenue transfer to Retail	59,968	583	8,690	50,694	62,362	656	10,295	51,411	
Exceptional (Gain) / Loss	(1,822)	(802)	(191)	(829)	(927)	(640)	(90)	(197)	
Total Operating costs	180,171	77,729	13,511	88,931	206,264	95,922	16,049	94,293	
Return	17,471	(5,594)	6,139	16,927	11,342	(5,566)	5,444	11,463	
Mean capital employed	115,139	75,761	18,467	20,911	110,552	75,458	18,846	16,246	
Return on capital employed	15%	-7%	33%	81%	10%	-7%	29%	71%	

Wholesale Other

STATEMENT OF MEAN CAPITAL EMPLOYED
as at 30 June 2017

	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16
Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total
€000	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets								
Property, Plant and Equipment	126,743	61,282	14,303	51,159	132,060	68,115	16,387	47,558
Intangible Assets	4,100	933	382	2,785	2,657	734	309	1,614
Other	2,463	1,466	118	880	2,756	1,802	134	820
Total Non Current Assets	133,307	63,681	14,802	54,824	137,472	70,649	16,831	49,992
Current Assets								
Inventories	710	574	73	64	615	518	67	30
Trade and other receivables	49,640	28,344	5,204	16,092	41,638	19,427	3,902	18,309
Cash and cash equivalents	18,654	11,440	671	6,543	25,822	17,456	1,008	7,358
Total Current Assets	69,003	40,357	5,947	22,699	68,076	37,402	4,977	25,697
Total Assets	202,310	104,037	20,749	77,523	205,548	108,051	21,808	75,689
Liabilities								
Trade and other payables	(75,873)	(25,358)	(1,824)	(48,690)	(82,603)	(29,115)	(2,375)	(51,113)
Provisions for liabilities and charges	(11,298)	(2,916)	(459)	(7,923)	(12,393)	(3,477)	(586)	(8,330)
Total Liabilities	(87,171)	(28,275)	(2,283)	(56,613)	(94,996)	(32,592)	(2,961)	(59,443)
Mean Capital Employed for the year	115,139	75,761	18,467	20,911	110,552	75,459	18,847	16,246

Retail

INCOME STATEMENT												
For the year ended 30 June 2017												
	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-17	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16
	Total	Retail Adjustments	PSTN & ISDN Access	Retail Other	Meteor	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Retail Other	Meteor	Other Subsidiaries
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Revenue												
External revenue	970,502	-	193,072	399,533	331,117	46,780	981,837	-	209,151	385,081	345,391	42,214
Internal revenue - Inter	16,465	(33,719)	330	19,289	9,848	20,717	21,036	(14,305)	233	12,229	13,235	9,644
Internal revenue - Intra	8,157	-	-	8,157	-	-	9,658	-	-	9,658	-	-
Total revenue	995,124	(33,719)	193,402	426,979	340,965	67,497	1,012,531	(14,305)	209,384	406,968	358,626	51,858
Retail Costs												
Cost of Sales	106,681	-	482	106,199	-	-	77,428	-	233	77,195	-	-
Product Development and management	12,262	-	907	11,355	-	-	12,263	-	1,362	10,901	-	-
Marketing and Sales	71,772	-	15,144	56,628	-	-	72,442	-	17,251	55,191	-	-
Repair and maintenance	3,796	-	949	2,847	-	-	3,790	-	1,085	2,705	-	-
Finance	4,205	-	670	3,535	-	-	4,010	-	738	3,268	4	-
Installation/Provisioning	1,286	-	-	1,286	-	-	1,446	-	-	1,446	-	-
Network support	2,953	-	131	2,822	-	-	2,412	-	107	2,305	-	-
General management	10,551	-	1,681	8,870	-	-	10,328	-	1,936	8,386	7	-
Accommodation	15,133	-	934	14,199	-	-	19,951	-	1,114	18,835	2	-
Information Technology	10,832	-	1,114	9,718	-	-	10,052	-	1,082	8,969	1	-
Transport	1,664	-	195	1,469	-	-	1,890	-	264	1,626	-	-
Personnel and administration	2,806	-	257	2,549	-	-	2,582	-	230	2,351	-	-
Other operating expenses	427	(522)	(21)	970	-	-	1,363	(528)	(9)	1,900	-	-
Credit management and billing	16,256	-	8,256	8,000	-	-	16,877	-	9,418	7,285	174	-
Depreciation	52,777	-	3,076	49,701	-	-	44,165	-	2,840	41,323	1	-
Group/Meteor Operating costs	343,969	(33,197)	-	-	322,666	54,501	369,348	(13,777)	-	-	340,315	42,810
Total HCA retail operating costs	657,370	(33,719)	33,776	280,147	322,666	54,501	650,345	(14,305)	37,651	243,686	340,504	42,810
Transfer charges from Wholesale	293,810	-	153,889	139,921	-	-	325,570	-	182,670	142,901	-	-
Exceptional (Gain) / Loss	544	-	262	283	(1)	-	(2,436)	-	(129)	(2,308)	2	-
Total Operating costs	951,724	(33,719)	187,926	420,351	322,664	54,501	973,480	(14,305)	220,192	384,278	340,506	42,810
Return	43,400	-	5,476	6,628	18,300	12,996	39,051	-	(10,808)	22,690	18,120	9,049
Mean capital employed	383,010	-	23,552	351,572	(6,006)	13,892	401,297	-	29,995	378,354	(18,649)	11,597
Return on capital employed	11%	N/a	23%	2%	N/a	94%	10%	N/a	-36%	6%	N/a	78%

Retail

STATEMENT OF MEAN CAPITAL EMPLOYED as at 30 June 2017	30-Jun-17						30-Jun-16					
	Total	Retail Adjustments	PSTN & ISDN Access	Retail Other	Meteor	Other Subsidiaries	Total	Retail Adjustments	PSTN & ISDN Access	Retail Other	Meteor	Other Subsidiaries
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets												
Property, Plant and Equipment	189,010	-	5,195	69,086	107,505	7,223	208,003	-	6,997	90,460	101,945	8,601
Intangible Assets	275,842	-	8,077	100,461	167,304	-	261,224	-	7,378	74,421	179,424	-
Other	9,957	-	583	5,033	561	3,779	9,050	-	702	4,487	650	3,211
Total Non Current Assets	474,808	-	13,855	174,581	275,370	11,003	478,277	-	15,077	169,368	282,020	11,812
Current Assets												
Inventories	7,709	-	-	5,379	2,330	-	6,127	-	-	4,925	1,201	-
Trade and other receivables	158,537	(344,504)	28,631	259,713	67,177	147,520	161,389	(393,353)	36,861	273,685	74,088	170,107
Cash and cash equivalents	84,638	-	4,867	49,826	9,702	20,242	81,292	-	7,151	48,889	12,155	13,096
Total Current Assets	250,884	(344,504)	33,498	314,918	79,209	167,763	248,808	(393,353)	44,012	327,500	87,444	183,204
Total Assets	725,692	(344,504)	47,354	489,499	354,579	178,765	727,085	(393,353)	59,089	496,868	369,464	195,016
Liabilities												
Trade and other payables	(328,064)	344,504	(23,652)	(136,023)	(348,020)	(164,873)	(305,988)	393,353	(28,543)	(113,749)	(373,629)	(183,419)
Provisions for liabilities and charges	(14,617)	-	(149)	(1,904)	(12,564)	-	(19,800)	-	(552)	(4,766)	(14,483)	-
Total Liabilities	(342,682)	344,504	(23,800)	(137,927)	(360,584)	(164,873)	(325,788)	393,353	(29,095)	(118,515)	(388,112)	(183,419)
Mean Capital Employed for the year	383,010	-	23,553	351,572	(6,006)	13,892	401,297	-	29,995	378,354	(18,649)	11,597

Statement of Costs

For the year ended 30 June 2017

Full allocated cost (€000)	Operating costs	Exceptional Operating Costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs	Volume	Average costs per unit
Copper Access Network	92,402	(644)	659,835	8.18%	53,975	145,733	1,362,390	106.97
Fibre/High Speed Access Network	6,673	5	58,826	8.18%	4,810	11,490	10,322	1,113.16
NGA	44,202	198	216,048	8.18%	17,674	62,073	(a)	(a)
DSL Equipment	10,049	(504)	27,957	8.18%	2,287	11,831	(a)	(a)
Other Access Equipment	1,491	-	4,166	8.18%	341	1,832	(a)	(a)
Provisioning	13,250	349	6,160	8.18%	504	14,103	(a)	(a)
Repair	63,931	296	12,477	8.18%	1,021	65,248	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	8,284	(566)	26,878	8.18%	2,199	9,918	1,192,417	8.32
<i>Call Sensitive</i>								
Call Sensitive	3,984	(240)	8,569	8.18%	701	4,446	(a)	(a)
<i>Traffic sensitive</i>								
Traffic sensitive	4,600	(319)	9,476	8.18%	775	5,057	(a)	(a)
Interconnect Equipment	327	(36)	(602)	8.18%	(49)	242	(a)	(a)
Intelligent Network	1,105	102	165	8.18%	13	1,220	1,989,065	0.614
Other Switching Elements	8	(16)	312	8.18%	26	18	(a)	(a)
<u>Transmission network</u>								
<i>Transmission: Non-length dependent</i>								
PSTN link	9,778	(294)	20,016	8.18%	1,637	11,120	4,189,142	0.265
Interconnect link	954	(58)	2,408	8.18%	197	1,093	(a)	(a)
Data incl leased Lines link	3,845	(140)	8,253	8.18%	675	4,380	(a)	(a)
DSL transmission link	6,153	(121)	11,573	8.18%	947	6,979	(a)	(a)
Other data link	1,568	(61)	3,427	8.18%	280	1,787	(a)	(a)
NGN link	33,994	(996)	86,751	8.18%	7,096	40,094	(a)	(a)
Other transmission link	2,441	(114)	5,754	8.18%	471	2,798	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN length	2,326	(22)	15,774	8.18%	1,290	3,596	1,363,466	0.264
Interconnect Length	163	(4)	692	8.18%	57	216	(a)	(a)
Data incl leased Lines length	1,772	(29)	10,023	8.18%	820	2,563	(a)	(a)
DSL transmission length	1,993	(9)	14,219	8.18%	1,163	3,146	(a)	(a)
Other data length	3,134	(54)	16,648	8.18%	1,362	4,443	(a)	(a)
Transmission: Optical	1,823	(27)	12,576	8.18%	1,029	2,825	(a)	(a)
NGN length	12,191	(167)	64,533	8.18%	5,279	17,304	(a)	(a)
Other transmission length	264	(6)	1,069	8.18%	87	346	(a)	(a)
<u>Data platforms</u>								
Legacy Leased Lines	3,959	(134)	8,440	8.18%	690	4,515	(a)	(a)
Other Data	2,690	(80)	5,211	8.18%	426	3,036	(a)	(a)
IMS Platform	8,128	(266)	30,006	8.18%	2,454	10,316	(a)	(a)
Outpayments	70,048	-	(4,617)	8.18%	(378)	69,670	(a)	(a)
Carrier Administration	17,505	(859)	9,455	8.18%	773	17,419	(a)	(a)
Carrier billing	3,152	(14)	51,995	8.18%	4,253	7,391	(a)	(a)
Other SMP elements	2,793	(36)	8,037	8.18%	657	3,414	(a)	(a)
Non-SMP elements	7,113	186	(41,620)	8.18%	(3,405)	3,894	(a)	(a)
Total	448,093	(4,680)	1,370,890	8.18%	112,139	555,552		

(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 2016

	Operating costs	Exceptional operating costs	Mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs	Volume	Average costs per unit
Full allocated cost (€000)								
Copper Access Network	94,160	(343)	668,444	8.18%	54,679	148,496	1,354,159	109.66
Fibre/High Speed Access Network	6,483	(40)	53,839	8.18%	4,402	10,847	9,565	1,133.98
NGA	34,494	(465)	163,086	8.18%	13,341	47,369	(a)	(a)
DSL Equipment	14,032	(373)	32,166	8.18%	2,631	16,289	(a)	(a)
Other Access Equipment	1,912	-	4,933	8.18%	404	2,316	(a)	(a)
Provisioning	16,384	(48)	9,909	8.18%	811	17,147	(a)	(a)
Repair	70,619	(351)	16,023	8.18%	1,311	71,579	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	11,261	(405)	31,602	8.18%	2,585	13,442	1,229,066	10.94
<i>Call Sensitive</i>	4,921	(123)	10,351	8.18%	847	5,644	(a)	(a)
<i>Traffic sensitive</i>	5,581	(183)	11,335	8.18%	927	6,325	(a)	(a)
Interconnect Equipment	351	(9)	(572)	8.18%	(47)	295	(a)	(a)
Intelligent Network	998	(3)	117	8.18%	10	1,005	2,246,267	0.447
Other Switching Elements	262	(5)	287	8.18%	23	280	(a)	(a)
<i>Transmission network</i>								
<i>Transmission: Non-length dependent</i>								
PSTN link	10,673	(286)	22,940	8.18%	1,876	12,264	4,770,062	0.257
Interconnect link	1,059	(28)	2,697	8.18%	221	1,252	(a)	(a)
Data incl leased Lines link	4,659	(125)	10,415	8.18%	852	5,386	(a)	(a)
DSL transmission link	7,020	(190)	14,061	8.18%	1,150	7,980	(a)	(a)
Other data link	1,803	(48)	4,127	8.18%	338	2,093	(a)	(a)
NGN link	33,506	(515)	90,555	8.18%	7,407	40,398	(a)	(a)
Other transmission link	2,769	(73)	6,709	8.18%	549	3,245	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN link	2,255	(20)	15,224	8.18%	1,245	3,480	1,552,542	0.224
Interconnect Length	169	(1)	782	8.18%	64	232	(a)	(a)
Data incl leased Lines length	1,920	(18)	11,117	8.18%	909	2,811	(a)	(a)
DSL transmission length	1,959	(17)	14,033	8.18%	1,148	3,089	(a)	(a)
Other data length	3,523	(33)	19,040	8.18%	1,557	5,048	(a)	(a)
Transmission: Optical	1,778	(12)	12,354	8.18%	1,011	2,777	(a)	(a)
NGN length	10,617	(87)	60,938	8.18%	4,985	15,516	(a)	(a)
Other transmission length	230	(4)	896	8.18%	73	300	(a)	(a)
<i>Data platforms</i>								
Legacy Leased Lines	4,649	(70)	10,261	8.18%	839	5,418	(a)	(a)
Other Data	3,188	(49)	6,406	8.18%	524	3,663	(a)	(a)
IMS Platform	5,503	(18)	23,646	8.18%	1,934	7,419	(a)	(a)
Outpayments	90,783	-	(495)	8.18%	(40)	90,743	(a)	(a)
Carrier Administration	18,375	(267)	11,124	8.18%	910	19,018	(a)	(a)
Carrier billing	2,809	(26)	43,688	8.18%	3,574	6,357	(a)	(a)
Other SMP elements	2,923	(17)	7,672	8.18%	628	3,534	(a)	(a)
Non-SMP elements	8,758	(28)	(38,484)	8.18%	(3,148)	5,582	(a)	(a)
Total	482,386	(4,280)	1,351,226	8.18%	110,530	588,636		

(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 2017

Full allocated Cost (€000)	Total Operating and Capital Costs	Wholesale Fixed Narrowband & Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Retail Residual
Copper access network	145,733	131,856	1,014	12,863	-	-	-	-
Fibre/High Speed Access Network	11,491	645	9,319	61	-	1,123	343	-
NGA	62,074	-	-	62,074	-	-	-	-
DSL equipment	11,832	-	-	11,832	-	-	-	-
Other access equipment	1,833	1,009	613	209	-	-	2	-
Provisioning wholesale networks	14,102	11,666	1,141	759	-	536	-	-
Repair wholesale networks	65,248	53,678	772	10,480	114	190	14	-
<i>Line Sensitive</i>	-	-	-	-	-	-	-	-
Subscriber unit - line sensitive	9,916	9,916	-	-	-	-	-	-
<i>Call Sensitive</i>	4,443	-	-	-	4,443	-	-	-
<i>Traffic sensitive</i>	5,056	-	-	-	5,056	-	-	-
Interconnect equipment	241	-	-	-	(34)	275	-	-
Intelligent Network	1,221	-	-	-	1,221	-	-	-
Other switching elements	18	-	-	-	36	(18)	-	-
<u>Transmission network</u>								
<i>Transmission: Non-length dependent</i>								
PSTN link	11,121	-	-	-	11,121	-	-	-
Interconnect link	1,093	-	-	-	-	1,093	-	-
Data incl leased lines link	4,380	270	3,284	615	136	-	75	-
DSL transmission link	6,979	-	-	6,979	-	-	-	-
Other data link	1,787	-	1,028	598	-	6	155	-
NGN Link	40,094	-	14,359	24,829	-	-	906	-
Other transmission link	2,798	1,558	344	3	174	494	225	-
<i>Transmission: Length dependent</i>								
PSTN length	3,596	-	-	-	3,596	-	-	-
Interconnect length	215	-	-	-	19	196	-	-
Data incl leased lines length	2,563	73	2,137	167	37	-	149	-
DSL transmission length	3,147	-	-	3,147	-	-	-	-
Other data length	4,442	-	3,276	745	-	23	398	-
Transmission: Optical	2,824	-	2,295	-	-	-	529	-
NGN length	17,303	-	2,694	14,573	-	-	36	-
Other transmission length	347	58	81	12	124	7	65	-
<u>Data platforms</u>								
Legacy leased lines	4,514	1,727	1,962	636	168	20	1	-
Other data platforms	3,033	-	1,027	1,489	-	4	513	-
IMS Platform	10,317	-	-	-	-	-	10,317	-
Outpayments	69,670	(173)	130	1,659	53,195	(42)	14,901	-
Carrier administration	17,415	5,193	1,803	4,108	227	968	5,116	-
Carrier billing	7,396	726	788	186	3,401	780	1,515	-
Other SMP elements	3,415	791	334	506	309	676	799	-
Non-SMP elements	3,896	66	(63)	4	-	-	3,889	-
Total Wholesale Costs	555,553	219,059	48,338	158,534	83,343	6,331	39,948	-

Network Cost Market Summary

For the year ended 30 June 2016

	Total Operating and Capital Costs	Wholesale Fixed Network Access	Wholesale Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Retail Residual
Full allocated Cost (@000)									
Copper access network	148,495	136,682	1,166	1,229	9,418	-	-	-	-
Fibre/High Speed Access Network	10,847	843	-	7,984	225	-	1,374	421	-
NGA	47,370	-	-	-	47,370	-	-	-	-
DSL equipment	16,291	-	-	-	16,291	-	-	-	-
Other access equipment	2,316	1,199	-	813	302	-	-	2	-
Provisioning wholesale networks	17,147	13,350	714	1,433	975	-	443	232	-
Repair wholesale networks	71,578	60,715	605	1,006	8,836	91	209	113	3
<i>Line Sensitive</i>									
Subscriber unit - line sensitive	13,441	13,441	-	-	-	-	-	-	-
<i>Call Sensitive</i>									
Interconnect equipment	5,645	-	-	-	-	5,645	-	-	-
<i>Traffic sensitive</i>									
Interconnect equipment	6,326	-	-	-	-	6,326	-	-	-
Intelligent Network	296	-	-	-	-	(29)	325	-	-
Other switching elements	1,004	-	-	-	-	1,004	-	-	-
Other switching elements	280	-	-	-	-	53	227	-	-
<u>Transmission network</u>									
<i>Transmission: Non-length dependent</i>									
PSTN link	12,264	-	-	-	-	12,264	-	-	-
Interconnect link	1,251	-	-	-	-	-	1,251	-	-
Data incl leased lines link	5,387	298	-	4,003	762	140	-	184	-
DSL transmission link	7,981	-	-	-	7,981	-	-	-	-
Other data link	2,093	-	-	1,197	716	-	9	171	-
NGN Link	40,398	-	-	13,027	25,880	-	-	1,491	-
Other transmission link	3,244	1,791	-	416	2	199	586	250	-
<i>Transmission: Length dependent</i>									
PSTN length	3,478	-	-	-	-	3,478	-	-	-
Interconnect length	231	-	-	-	-	22	209	-	-
Data incl leased lines length	2,811	65	-	2,310	203	30	-	203	-
DSL transmission length	3,089	-	-	-	3,089	-	-	-	-
Other data length	5,047	-	-	3,537	1,037	-	32	441	-
Transmission: Optical	2,776	-	-	2,608	-	-	-	168	-
NGN length	15,514	-	-	2,535	12,979	-	-	-	-
Other transmission length	299	57	-	87	11	40	14	90	-
<i>Data platforms</i>									
Legacy leased lines	5,418	2,019	-	2,393	795	186	23	1	1
Other data platforms	3,664	-	-	956	1,422	-	4	1,277	5
IMS Platform	7,420	-	-	-	-	-	-	7,420	-
Outpayments	90,742	976	2	1,214	655	69,067	(104)	18,932	-
Carrier administration	19,014	4,480	1,758	2,594	3,275	549	869	5,453	36
Carrier billing	6,364	351	106	619	1,024	2,092	988	1,184	-
Other SMP elements	3,534	526	603	254	411	281	791	668	-
Non-SMP elements	5,581	-	136	(69)	4	-	-	5,510	-
Total Wholesale Costs	588,636	236,793	5,090	50,146	143,663	101,438	7,250	44,211	45

Notes to the Financial Statements

Note 1a: Basis of preparation of the Separated Accounts

The financial information for the year ended June 30, 2017 in these Separated Accounts is prepared by attributing the balances in eircom Limited's general ledgers and other accounting records to the Markets and disaggregated Activities.

The structure of the 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 Limited.

These Separated Accounts are prepared by attributing the balances in eircom Limited's general ledgers and other accounting records (as amended by Directions published by ComReg) to the Markets and disaggregated Activities. As required by the Decision Notices, wherever possible, revenue, costs, assets and liabilities are directly associated with either a Market or Network element using information recorded within eircom Limited'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 sections within the Accounting Documents.

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 Limited 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 Limited will continue to review and update attribution methods on an on-going basis and, where deemed appropriate, make necessary improvements.

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

Note 1b: 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.

Notes to the Financial Statements

The Separated Accounts are required to be prepared for the market groups and for individual markets within these market groups, as set out in the Decision Notices, and as agreed annually with ComReg. A number of changes agreed with ComReg are incorporated in the 2017 Regulatory Accounts. Due to the materiality of the Unbundled Access market this has been aggregated with the Narrowband Access Market. The Wholesale Broadband Access Market is also being amended to reflect the shift towards NGA services with Bitstream and Bitstream MB Rental being aggregated into a single CGA rental market. The table below shows the specific HCA Separated Accounts requirements for the year ending June 30, 2017. The PSTN and ISDN connections are no longer shown separately and are now included within PSTN and ISDN rental. Certain of the Comparative figures have been reclassified as necessary to present them on a basis consistent with the current year classification.

Market Group	Markets
Wholesale Access	Wholesale Fixed Narrowband and Unbundled Access Wholesale Broadband Access Wholesale Leased Lines
Wholesale Other	Wholesale Interconnect Call Conveyance ¹ Wholesale Residual (Regulated) Wholesale Residual (Unregulated)
Retail	Retail Fixed Narrowband Access ² Retail Other ³ <i>Meteor</i> Other Subsidiaries

¹ Wholesale Interconnect Call Services comprises the Call Origination, Call Transit and Call Termination markets. Refer to section 2.2 for more information.

² Labelled in the Accounts as "PSTN & ISDN Access"

³ Retail Other comprises unregulated retail markets, products and services

Note 2: Intra/Inter Business Turnover Reconciliation

FROM / TO							TOTAL		
		Wholesale Access Jun-17 Intra €000	Wholesale Access Jun-17 Inter €000	Wholesale Other Jun-17 Intra €000	Wholesale Other Jun-17 Inter €000	Retail Jun-17 Intra €000	Retail Jun-17 Inter €000	Jun-17 Intra €000	Jun-17 Inter €000
Wholesale Access:	Wholesale Fixed Narrowband & Unbundled Access	-	-	38,255	-	153,314	21	191,569	21
	Wholesale Broadband Access	-	-	4,252	-	75,032	-	79,284	-
	Wholesale Leased Lines	-	-	583	-	26,057	11,202	26,641	11,202
	Total	-	-	43,090	-	254,404	11,223	297,494	11,223
Wholesale Other:	Wholesale Interconnect Call Conveyance	-	-	7,670	-	22,231	7,486	29,900	7,486
	Wholesale Residual (Regulated)	-	-	1,051	-	1,811	1,643	2,862	1,643
	Wholesale Residual (Unregulated)	-	-	-	-	15,360	7,124	15,360	7,124
	Total	-	-	8,721	-	39,402	16,253	48,122	16,253
Retail	PSTN & ISDN Access	-	-	-	-	-	330	-	330
	Meteor	-	222	-	9,104	-	522	-	9,848
	Other Subsidiaries	-	-	-	7,138	-	13,579	-	20,717
	Retail Other	-	-	8,157	-	-	19,289	8,157	19,289
	Total	-	222	8,157	16,242	-	33,719	8,157	50,184
TOTAL		-	222	59,968	16,242	293,806	61,196	353,773	77,660

Note 3: Income Statement Reconciliation

Consolidated market groups

Income Statement Reconciliation
For the year ended 30 June 2017

Wholesale Access
Wholesale Other
Retail

Total

Adjustments

Elimination of inter business turnover and costs between wholesale and retail
Transfer charges between Retail and Wholesale
Interest payable and similar charges disallowed
Share of profit of associates
Tax on profits on ordinary activities
Impact of change to asset lives
Brand amortisation disallowed
IFRS pension adjustment
Fair value adjustments in respect of depreciation
Fair value lease adjustment
Non relevant eircom operating costs

As in the Annual Report

Revenue	Operating costs	Return	Revenue	Operating costs	Return
Jun-17 €000	Jun-17 €000	Jun-17 €000	Jun-16 €000	Jun-16 €000	Jun-16 €000
484,697	323,210	161,487	501,389	334,204	167,185
197,642	180,171	17,471	217,606	206,264	11,342
995,124	951,724	43,399	1,012,531	973,480	39,051
1,677,463	1,455,105	222,356	1,731,526	1,513,948	217,578
(40,650)	(40,650)	-	(49,630)	(49,630)	-
(353,775)	(353,777)	-	(387,934)	(387,934)	-
-	-	(106,270)	-	-	(168,315)
-	-	10,433	-	-	1,659
-	-	9,686	-	-	11,446
-	34,698	(34,698)	-	30,585	(30,585)
-	25,400	(25,400)	-	19,050	(19,050)
-	-	(5,592)	-	-	(10,878)
-	47,029	(47,029)	-	51,124	(51,124)
-	(7,437)	7,437	-	(8,229)	8,229
-	92,003	(92,003)	-	69,287	(69,287)
1,283,038	1,252,371	(61,081)	1,293,962	1,238,202	(110,327)

Note 4: Statement of Mean Capital Employed Reconciliation

Consolidated market groups		
Statement of Mean Capital Employed Reconciliation as at 30 June 2017		
	Capital employed Jun-17 €000	Capital employed Jun-16 €000
Shareholders' funds as in the Annual Report	(1,415,703)	(1,461,391)
Reconciling items		
Investments in associated undertakings	0	(118)
Finance income payable (net)	2,671	860
Taxation	9,602	(5,685)
Deferred taxation provision (net)	12,276	4,941
Restructuring provision	42,053	16,899
Pension benefit liability	258,293	346,478
Capitalised interest & EHIL adjustments	(954)	(1,728)
Liabilities for non relevant eircom operating costs	68,141	55,575
Fair value adjustment in respect of fixed assets	(85,353)	(117,102)
Intangible assets	(85,719)	(111,119)
Goodwill	(209,497)	(209,497)
Elimination of financing balances	493,856	499,353
Elimination of intercompany financing balances	2,256,529	2,336,751
Closing capital employed	1,346,194	1,354,217
Opening capital employed	1,354,217	1,403,708
Total adjusted mean capital employed before determined adjustments	1,350,205	1,378,962
Impact of changes to asset lives	403,695	373,558
Total mean capital employed	1,753,900	1,752,521
Wholesale Access	1,255,751	1,240,674
Wholesale Other	115,139	110,552
Retail	383,010	401,297
Total mean capital employed	1,753,900	1,752,521

Annex 1: Explanatory Report

Explanatory Report – HCA Separated Accounts

This explanatory report sets out, and clarifies, trends relating to relevant markets including any significant future impact on eir'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 eir's Separated Accounts.

Overall the consolidated group position shows EBIT returns increasing by 2%, despite group revenue declining by 3% in the year. The increase in EBIT return is attributable to improved performance in Retail and the Wholesale Residual Unregulated market. Wholesale Access returns were down €6m on the prior year.

The group experienced revenue decline in each of the three market groups: Wholesale Access, Wholesale Other and Retail. The decline in revenue was compensated by reductions in operating costs across all three market groups.

The group continued to heavily invest in access network infrastructure, particularly with the ongoing rollout of FTTC (Fibre to the Cabinet) and the FTTH (Fibre to the Home) 300k rural rollout. This resulted in Wholesale Access Mean Capital Employed (MCE) increasing by over 1% on the prior year.

Each of the relevant markets is considered in more detail in the following sections.

Note 1 - Wholesale Network Input (WNI): As described in the Primary Accounting Documentation, the WNI has not been applied to the transfer charges from Wholesale to Retail. If the WNI were to be applied, we would expect the transfer charge to Retail to be lower.

Note 2 - Volumes: References to volumes in this report relate to average volumes in 2016/17 and growth trends refer to year on year movements in such average volumes compared to the prior year. Such movements may differ considerably from changes between opening and closing volumes in the financial year, and in particular from growth measures in ComReg Report 17/75, which contains Key Data for the market for the period to June 30, 2017.

Explanatory Report - Wholesale Access Business - Wholesale Fixed Narrowband & Unbundled Access

Market Definition

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

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

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'). Open eir'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; and
- ISDN Fractional Rate Access (FRA) Rentals.

Open eir provides these wholesale services both externally to Other Authorised Operators ('OAOs') and internally to eir Retail.

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

- Unbundled Local Metallic Path (ULMP) – LLU; and
- 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; and
- Site preparation charges.

Regulatory Decisions in the Year

There were no new Regulatory Decisions during the year.

Trends in Reported Balances

Revenues/Volumes

eir's share of the voice subscription market continues to decline due to the impact of competition and alternative technologies. eir's volume share fell by 3% during the year, and stood at 39% at June 2017 (per ComReg 17/75). Total revenue in this market decreased by 13% year on year, primarily due to the reduction in the PSTN WLR price from €18.02 to €15.91, implemented in July 2016.

Explanatory Report - Wholesale Access Business - Wholesale Fixed Narrowband & Unbundled Access

Operating Costs

Overall operating costs decreased by 10% in the year. The most significant reason for the decrease can be attributed to a sequence of storms in November and December 2015, which resulted in abnormally high rates of fault arrivals resulting in significant, additional repair and maintenance costs in the prior year. There was no repeat of these storm events in FY17.

Depreciation also reduced, partly due to the increase in standalone broadband volumes which has the effect of moving access costs to broadband products.

Return on Capital Employed (ROCE)

The WLR price reduction and lower narrowband access volumes resulted in Wholesale Narrowband and Unbundled Access returns decreasing by €19m (16%), whilst ROCE decreased to 15%.

Exceptional Events/Methodology Changes

The exceptional gain arises from the disposal of assets which are no longer required.

As part of the annual review of the structure of the Regulatory Accounts eir has agreed with ComReg to aggregate the unbundled market with the narrowband market.

Explanatory Report - Wholesale Access Business - Wholesale Broadband Access

Market Definition

The market is defined by ComReg as consisting of:

- WBA provided over xDSL/copper network infrastructure; and
- WBA provided over fibre network infrastructure.

Key Market Products

Open eir's Wholesale Bitstream Access Reference Offer (WBARO) currently includes the following principal product types:

- ADSL Legacy Bitstream access, which is regarded as Current Generation Access (CGA);
- ADSL Bitstream Managed Backhaul (BMB) access, including port rental and traffic (also regarded as CGA);
- Bitstream Plus Next Generation Access (NGA) products, provided by a combination of:
 - fibre to the premises or home (FttP/FttH)
 - VDSL, launched from exchange buildings (EVDSL) or cabinet (FTTC)
- Multicast Bitstream service, which supports delivery of linear TV services (regarded as NGA).

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

Regulatory Decisions in the Year

There were no new Regulatory Decisions during the year.

Trends in Reported Balances

Revenues/Volumes

The rate of decline in the CGA base accelerated in FY17 following the continued expansion of NGA. The average CGA base has fallen by 31% over the last 2 years, and by 18% in the current year.

Revenues in the WBA market increased 14% year on year due to growth in Bitstream Plus (NGA), offset by decreased revenues from CGA. The continuing trend towards SABB remains a contributing factor to revenue growth in the WBA market.

Operating Costs

Overall operating costs increased by 9% due primarily to the continued expansion of NGA and increased SABB volumes.

Return on Capital Employed (ROCE)

MCE increased by €54m or 13% in the year, due mostly to direct investment in NGA. As the rate of increase in operating profit was greater, the ROCE improved to 8% compared to 7% in the previous year.

Explanatory Report - Wholesale Access Business - Wholesale Broadband Access

Exceptional Events/Methodology Changes

The exceptional gain arises from the disposal of assets which are no longer required.

As part of the annual review of the structure of the Regulatory Accounts eir has agreed with ComReg to report on the following broadband services CGA Rental; CGA Usage; NGA Rental; NGA Usage and WBA Connections.

Explanatory Report - Wholesale Access Business - Wholesale Leased Lines

Market Definition

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

- Wholesale Ethernet Services;
- Wholesale Leased Lines; and
- Partial Private Circuits (PPC).

Key Market Products

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

Regulatory Decisions in the Year

There were no Regulatory Decisions in the year.

Trends in Reported Balances

Revenues/Volumes

Overall revenue increased by 4% as the continued decline from legacy products is more than offset by growth from Next Generation Data products. Ethernet revenue grew by 13% reflecting the continuing market shift to IP based services. However, PPC and Leased Line rental revenue fell by 11% - volumes are in decline due to continued migration to Ethernet services, and increased competition from alternative infrastructure, including self-supply by OAOs.

Operating Costs

Overall costs decreased by 6%, with decreases across the majority of cost categories. This can partly be explained by the growth in NGA which absorbs increased proportion of costs as the number of broadband subscribers and usage of the NGN network grows.

Return on Capital Employed (ROCE)

The MCE for Wholesale Leased Line business has increased by 4%. This combined with the increase in return resulted in ROCE increasing to 21%.

Exceptional Events/Methodology Changes

The exceptional gain is from the disposal of assets which are no longer required.

Explanatory Report - Wholesale Other Business - Wholesale Call Conveyance

Market Definition

This market consists of:

- Wholesale Call Origination – the conveyance and routing of calls, originating at a fixed location, through any switching stages up to a point of handover. The point of handover can be the primary, tandem, or double tandem exchange associated with the access path on which the call was originated;
- Wholesale Call Transit - wholesale national call transit services on the public telephone network at a fixed location, including inter alia all elements of call routing that take place between Call Origination and Call Termination, and as further defined in Section 6 of ComReg Decision D05/15; and
- Wholesale Call Termination – the conveyance of calls terminating on geographic numbers on eir exchange lines from relevant parent exchanges to the subscriber unit.

Key Market Products

Open eir's Reference Interconnect Offer (RIO) includes a number of products that utilise call origination and call termination:

- Primary Call Origination or Termination;
- Single Tandem Call Origination or Termination; and
- Double Tandem Call Origination or Termination

For single tandem and double tandem call types, there may be a transit component in addition to the call origination and/or call termination components. Open eir's Commercial Interconnection Services Price List (CISPL) includes the national call transit product. In relation to transit calls to mobile or Number Translation Codes (for

example premium rate calls), the price must recover the relevant outpayments.

Regulatory Decisions in the Year

There were no Regulatory Decisions in the year.

Regulatory Pricing Framework

Prices for RIO call origination and termination services are subject to direct approval by ComReg and are published in the 'open eir Reference Interconnect Offer'.

Under Decision D05/15, call origination 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.

Under Decision D12/12, fixed operators with SMP in termination on their own network are required to set prices to recover only pure LRIC costs.

Under Decision D05/15 all ex-ante regulation of the redefined transit market was removed.

Explanatory Report - Wholesale Other Business - Wholesale Call Conveyance

Trends in Reported Balances

Revenues/Volumes

Overall, call origination and call termination revenue and volumes continue to decline steadily 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. Overall revenues fell by 20% to €72m.

Operating Costs

Operating costs decreased by 19%, broadly in line with the decline in revenue.

Operating Loss

Operating loss increased by 1%, largely due to the continuing decline in call conveyance revenue and large losses on call termination. Whilst revenues on call termination reflect pure LRIC pricing, cost allocation remains on a fully allocated cost basis. As per Section 7.177 of Decision 12/12, ComReg indicated that fixed and common costs no longer recovered from call termination revenue could be recovered from other regulated wholesale services as appropriate.

Return on Capital Employed (ROCE)

The total MCE and ROCE in this market were stable.