



Historical Cost Separated Accounts

For the year ended 30 June 2018

Financial Statements



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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 Regulatory Separated Accounts (“Separated Accounts”) for the year ended 30 June 2018 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 2018:

- 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

The Decision Notices require that Financial Statements are prepared for the following Wholesale Market Groups and, where applicable, individual markets within these Wholesale 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)

The full definition of these Wholesale Market Groups and individual wholesale markets are set out in Section 2 of the Primary Accounting Documentation, dated 30 November 2018.

Introduction

The 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 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 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 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 Separated Accounts for the year ended 30 June 2018 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 Financial 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 Separated Accounts for the year ended 30 June 2018 fairly present, in accordance with the Primary Accounting Documents dated 30 November 2018, the results, mean capital employed and costs incurred by eircom Limited and comply with the requirements of the Decision Instrument and the governing legislation.

Stephen Tighe

Chief Financial Officer
On Behalf of the Board
30 November 2018

Report of the Independent Auditors to eircom Limited 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.

Opinion

We have audited the Separated Accounts for the year ended 30 June 2018 which include the Market Financial Statements, 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”); and
- The Primary Accounting Documents dated 30 November 2018.

The Separated Accounts comprise:

- the Consolidated Wholesale Income Statement and Consolidated Wholesale 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 Revenue by Service for Wholesale Fixed Narrowband and Unbundled Access, Wholesale Broadband Access and Wholesale Leased Lines, on pages 14 to 16;
- the Statement of Costs Wholesale Markets on page 17;
- the Network Cost Market Summary Wholesale Markets on page 19; and
- the Notes to the financial statements on pages 21 to 26.

The Market Financial Statements comprise the following statements for the year ended 30 June 2018:

- The Income Statement Wholesale Access and Statement of Mean Capital Employed Wholesale Access on pages 10 and 12, including the Income Statements for the Wholesale Access Markets;
- The Income Statement Wholesale Other and Statement of Mean Capital Employed Wholesale Other on pages 11 and 13 including the Income Statements for the Wholesale Other Markets; and

In our opinion:

- the Separated Accounts as a whole for the year ended 30 June 2018, fairly present in accordance with the Primary Accounting Documents dated 30 November 2018, 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 2018, fairly present in accordance with the Primary Accounting Documents dated 30 November 2018, the results, mean capital employed and costs incurred by eircom Limited and comply with the requirements of the Decision Instrument.

Basis of audit opinion

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. The balances recorded in the general ledgers and other accounting records of eircom Limited 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 2018 (“the Statutory Financial Statements”).

Report of the Independent Auditors to eircom Limited and ComReg

PricewaterhouseCoopers audited the Statutory Financial Statements for the year ended 30 June 2018 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.

Having regard to the above we conducted our audit of the Separated Accounts in accordance with ISAs (UK), including ISA (UK) 800, and applicable law. Our responsibilities under ISAs (UK) 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.

Independence

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

Other matter

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 4, 2018, 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 4, 2018 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.

Other information

Management is responsible for the other information. The other information comprises of the Introduction on pages 2 to 3 and the

Explanatory Reports on pages 28 to 35. 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.

Responsibilities of the directors for the Separated Accounts

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

Our responsibilities, as independent auditors, are established in Ireland by the Decision Instrument, International Standards on Auditing (UK) ("ISAs (UK)") and our profession's ethical guidance.

Report of the Independent Auditors to eircom Limited and ComReg

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 (UK) 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.

A further description of our responsibilities for the audit of the Separated Accounts is located on the Financial Reporting Council website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditors' report.

Use of this report

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.

Other matters on which we are required to report by exception

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 2018

Consolidated Wholesale Income Statement

For the year ended 30 June 2018	30-Jun-18			(Restated) 30-Jun-17		
	Total	Wholesale Access	Wholesale Other	Total	Wholesale Access	Wholesale Other
	€000	€000	€000	€000	€000	€000
Revenue	692,848	492,772	200,076	682,266	484,701	197,565
Operating costs	537,419	344,807	192,612	503,384	322,508	180,876
Return	155,429	147,965	7,464	178,882	162,193	16,689
Mean capital employed	1,446,891	1,320,198	126,693	1,370,891	1,254,115	116,776
Return on capital employed	11%	11%	6%	13%	13%	14%

Consolidated Wholesale Statement of Mean Capital Employed

as at 30 June 2018	<u>30-Jun-18</u>	<u>30-Jun-18</u>	<u>30-Jun-18</u>	<u>(Restated) 30-Jun-17</u>	<u>(Restated) 30-Jun-17</u>	<u>(Restated) 30-Jun-17</u>
	Total	Wholesale Access	Wholesale Other	Total	Wholesale Access	Wholesale Other
	€000	€000	€000	€000	€000	€000
Non Current Assets						
Property, Plant and Equipment	1,468,946	1,348,286	120,660	1,426,597	1,298,157	128,440
Intangible Assets	37,224	32,763	4,461	33,608	29,468	4,140
Other	9,022	6,989	2,033	9,198	6,722	2,476
Total Non Current Assets	1,515,190	1,388,037	127,153	1,469,401	1,334,345	135,056
Current Assets						
Inventories	4,734	4,064	670	6,093	5,377	716
Trade and other receivables	103,728	44,181	59,547	85,245	35,593	49,652
Cash and cash equivalents	86,538	67,675	18,863	74,099	55,349	18,750
Total Current Assets	194,998	115,919	79,079	165,435	96,318	69,117
Total Assets	1,710,189	1,503,956	206,233	1,634,836	1,430,663	204,173
Liabilities						
Trade and other payables	(199,169)	(130,089)	(69,080)	(198,589)	(122,532)	(76,057)
Provisions for liabilities and charges	(64,129)	(53,669)	(10,460)	(65,356)	(54,017)	(11,339)
Total Liabilities	(263,299)	(183,758)	(79,541)	(263,945)	(176,548)	(87,397)
Mean Capital Employed for the year	1,446,891	1,320,198	126,693	1,370,891	1,254,115	116,776

Market Financial Statements

INCOME STATEMENT WHOLESAL ACCESS
For the year ended 30 June 2018

	30-Jun-18	30-Jun-18	30-Jun-18	30-Jun-18	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17
	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	175,167	61,811	85,828	27,527	175,980	70,395	77,134	28,453
Internal revenue - Inter	11,037	15	-	11,022	11,223	21	-	11,202
Internal revenue - Intra	306,568	193,529	85,337	27,701	297,497	191,569	79,284	26,644
Total revenue	492,772	255,356	171,166	66,250	484,701	261,985	156,418	66,298
Costs								
Cost of Sales	3,602	1,822	1,900	(120)	1,602	(169)	1,634	137
Product development and management	2,403	1,069	894	438	3,138	1,120	1,516	503
Marketing and sales	3,135	1,520	1,150	465	2,964	1,486	1,034	444
Repair and maintenance	62,317	44,334	14,941	3,043	63,817	47,216	13,563	3,037
Finance	5,356	2,657	2,117	581	5,584	2,947	2,018	619
Installation/Provisioning	10,442	5,306	4,367	769	11,264	6,577	3,821	866
Network support	36,181	16,098	16,414	3,669	38,225	17,473	16,720	4,032
General management	12,381	6,349	4,792	1,241	11,504	6,125	4,087	1,291
Accommodation	24,378	7,883	13,159	3,335	23,636	7,793	12,619	3,224
Information Technology	11,127	5,986	4,087	1,055	6,592	2,763	3,076	753
Transport	7,147	4,671	2,069	407	6,990	4,722	1,823	446
Personnel and administration	3,307	1,844	1,151	313	3,389	1,897	1,135	358
Other operating expenses	179	65	119	(4)	203	171	9	23
Credit management and billing	(128)	(251)	(68)	191	278	36	(32)	275
Depreciation	163,523	69,330	72,578	21,615	146,145	65,872	59,254	21,017
Total HCA wholesale operating costs	345,350	168,682	139,670	36,998	325,329	166,028	122,277	37,024
Transfer charges from Retail	-	-	-	-	-	-	-	-
Exceptional (Gain) / Loss	(543)	(320)	40	(263)	(2,821)	(871)	(1,307)	(644)
Total Operating costs	344,807	168,362	139,710	36,735	322,508	165,157	120,970	36,380
Return	147,965	86,994	31,456	29,515	162,193	96,828	35,448	29,918
Mean capital employed	1,320,198	642,059	535,901	142,239	1,254,115	659,253	452,915	141,947
Return on capital employed	11%	14%	6%	21%	13%	15%	8%	21%

Market Financial Statements

INCOME STATEMENT WHOLESAL OTHER
For the year ended 30 June 2018

	30-Jun-18	30-Jun-18	30-Jun-18	30-Jun-18	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17
	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)
	€000	€000	€000	€000	€000	€000	€000	€000
Revenue								
External revenue	137,571	32,565	13,482	91,524	133,266	34,749	15,144	83,373
Internal revenue - Inter	15,247	7,134	1,529	6,584	16,253	7,486	1,643	7,124
Internal revenue - Intra	47,259	28,027	2,665	16,567	48,046	29,900	2,862	15,284
Total revenue	200,077	67,726	17,676	114,675	197,565	72,135	19,649	105,781
Costs								
Cost of Sales	66,106	50,825	(59)	15,341	68,472	53,818	(41)	14,694
Product Development and management	883	110	375	397	1,015	108	387	521
Marketing and Sales	1,794	58	170	1,566	2,191	45	155	1,991
Repair and maintenance	7,097	5,346	498	1,253	6,139	5,082	439	618
Finance	1,030	395	113	523	987	406	105	476
Installation/Provisioning	1,369	2	283	1,084	1,233	-	312	920
Network support	5,425	3,055	379	1,991	5,482	3,113	425	1,944
General management	2,631	891	283	1,457	2,449	702	307	1,441
Accommodation	7,784	5,480	822	1,481	7,144	4,927	709	1,507
Information Technology	1,738	835	199	704	1,389	521	188	680
Transport	516	155	61	300	513	165	61	288
Personnel and administration	460	200	54	206	616	195	63	358
Other operating expenses	3,351	8	6	3,337	3,340	46	22	3,273
Credit management and billing	1,295	660	143	492	1,044	177	242	625
Depreciation	23,561	9,854	1,626	12,081	20,749	9,259	1,570	9,921
Total HCA wholesale operating costs	125,039	77,873	4,955	42,212	122,764	78,562	4,944	39,258
Transfer charges from Wholesale / Revenue transfer to Retail	68,510	604	7,640	60,266	59,971	586	8,690	50,694
Exceptional (Gain) / Loss	(937)	(407)	(177)	(353)	(1,858)	(814)	(188)	(855)
Total Operating costs	192,612	78,069	12,419	102,125	180,876	78,333	13,446	89,097
Return	7,465	(10,343)	5,257	12,550	16,689	(6,199)	6,203	16,684
Mean capital employed	126,693	83,257	17,773	25,662	116,776	77,528	18,175	21,073
Return on capital employed	6%	-12%	30%	49%	14%	-8%	34%	79%

Market Financial Statements

STATEMENT OF MEAN CAPITAL EMPLOYED WHOLESALE ACCESS
as at 30 June 2018

	30-Jun-18	30-Jun-18	30-Jun-18	30-Jun-18	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17
	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
Non Current Assets								
Property, Plant and Equipment	1,348,285	676,484	535,116	136,685	1,298,157	696,159	460,606	141,390
Intangible Assets	32,763	15,543	14,696	2,523	29,468	13,448	13,738	2,282
Other	6,989	2,789	3,605	595	6,722	2,906	3,153	663
Total Non Current Assets	1,388,037	694,817	553,417	139,804	1,334,345	712,511	477,497	144,335
Current Assets								
Inventories	4,064	1,826	2,108	130	5,377	2,067	3,057	253
Trade and other receivables	44,181	14,076	12,211	17,894	35,593	16,226	4,992	14,375
Cash and cash equivalents	67,675	26,913	35,241	5,522	55,349	24,552	25,862	4,934
Total Current Assets	115,919	42,816	49,559	23,545	96,318	42,845	33,911	19,563
Total Assets	1,503,956	737,632	602,976	163,349	1,430,663	755,357	511,408	163,898
Liabilities								
Trade and other payables	(130,088)	(56,844)	(54,263)	(18,983)	(122,532)	(56,312)	(46,899)	(19,321)
Provisions for liabilities and charges	(53,670)	(38,729)	(12,813)	(2,127)	(54,017)	(39,792)	(11,595)	(2,631)
Total Liabilities	(183,758)	(95,573)	(67,076)	(21,109)	(176,548)	(96,104)	(58,493)	(21,951)
Mean Capital Employed for the year	1,320,198	642,059	535,901	142,239	1,254,115	659,253	452,915	141,947

Market Financial Statements

STATEMENT OF MEAN CAPITAL EMPLOYED WHOLESALERS OTHER
as at 30 June 2018

	30-Jun-18	30-Jun-18	30-Jun-18	30-Jun-18	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17	(Restated) 30-Jun-17
	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)	Total	Wholesale Interconnect Call Conveyance	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)
	€000	€000	€000	€000	€000	€000	€000	€000
Non Current Assets								
Property, Plant and Equipment	120,660	57,594	12,440	50,627	128,440	63,109	14,004	51,327
Intangible Assets	4,461	1,318	347	2,796	4,140	961	379	2,800
Other	2,033	1,324	90	619	2,476	1,476	117	883
Total Non Current Assets	127,154	60,235	12,877	54,042	135,056	65,547	14,499	55,010
Current Assets								
Inventories	670	578	72	18	716	578	73	65
Trade and other receivables	59,547	35,128	5,951	18,468	49,652	28,355	5,202	16,094
Cash and cash equivalents	18,863	12,540	703	5,620	18,750	11,520	664	6,566
Total Current Assets	79,079	48,246	6,726	24,106	69,117	40,454	5,938	22,725
Total Assets	206,233	108,482	19,603	78,148	204,173	106,002	20,438	77,734
Liabilities								
Trade and other payables	(69,080)	(22,816)	(1,498)	(44,765)	(76,057)	(25,519)	(1,809)	(48,729)
Provisions for liabilities and charges	(10,460)	(2,409)	(332)	(7,721)	(11,339)	(2,954)	(454)	(7,932)
Total Liabilities	(79,541)	(25,223)	(1,831)	(52,486)	(87,397)	(28,473)	(2,262)	(56,661)
Mean Capital Employed for the year	126,693	83,257	17,773	25,662	116,776	77,528	18,175	21,073

Statement of Average Cost and Revenue by Service

Wholesale Fixed Narrowband & Unbundled Access
For the year ended 30 June 2018

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-18	61,811	193,544	255,356	168,362	86,994	34.07%	642,059	13.55%

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	54,284	159,814	214,098	1,088	Lines	16.39	15.18	108%
SB WLR ISDN BRA Rental & Connections	2,911	16,235	19,146	54	Lines	29.68	17.50	170%
SB WLR ISDN FRA/PRA Rental & Connections	2,079	17,480	19,559	6	Lines	275.53	108.77	253%
LLU & Line Share Connections	50	-	50		n.m			
LLU Rental	924	-	924	6	Lines	13.07	21.63	60%
Line Share Rental	494	-	494	39	Lines	1.0670	0.2017	529%
Physical Co-location	1,068	15	1,083		n.m			

Jun 17 (Restated)

	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 (Restated)	70,395	191,590	261,985	165,157	96,828	36.96%	659,253	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	107.20	250%
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	1.1119	0.1269	876%
Physical Co-location	1,297	21	1,319		n.m			

Statement of Average Cost and Revenue by Service

Wholesale Broadband Access
For the year ended 30 June 2018

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-18	85,828	85,337	171,166	139,710	31,456	18.38%	535,901	5.87%

Service

	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	2,817	7,569	10,386		n.m			
CGA Rental	16,346	18,053	34,399	311	Lines	9.23	6.59	140%
NGA Rental	55,394	37,025	92,419	597	Lines	12.90	14.61	88%
CGA Usage	4,761	5,647	10,408	224	Lines	3.87	5.31	73%
NGA Usage	6,510	17,043	23,553	406	Lines	4.84	6.47	75%

Jun 17 (Restated)

	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 (Restated)	77,134	79,284	156,418	120,970	35,448	22.66%	452,915	7.83%

	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	9.12	5.85	156%
NGA Rental	41,616	30,355	71,970	505	Lines	11.88	13.49	88%
CGA Usage	6,326	6,848	13,174	258	Lines	4.25	4.74	90%
NGA Usage	7,076	16,342	23,418	359	Lines	5.44	6.41	85%

Average Rental revenue and costs are monthly averages
Rental volumes are average volumes

Statement of Average Cost and Revenue by Service

Wholesale Leased Lines
For the year ended 30 June 2018

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-18	27,527	38,723	66,250	36,735	29,515	44.55%	142,239	20.75%

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	670	187	857		n.m			
Wholesale Ethernet Rental	18,880	28,433	47,313		n.m			
Wholesale LL Rental <155Mb	916	6,550	7,466	2,234	Circuits	278	158	176%
Wholesale LL Rental >=155 Mb	2,063	1,505	3,568	0.021	Circuits	14,387	12,390	116%
PPC EULs Rental < 155MB	4,758	1,823	6,581	2.336	Circuits	235	132	177%
PPC EULs Rental >= 155MB	240	225	465	0.016	Circuits	2,473	831	297%

Jun 17 (Restated)

	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 (Restated)	28,453	37,846	66,298	36,380	29,918	45.13%	141,947	21.08%

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	155	164%
Wholesale LL Rental >=155 Mb	2,083	1,639	3,722	0.025	Circuits	12,574	11,703	107%
PPC EULs Rental < 155MB	6,066	1,831	7,897	2.565	Circuits	257	124	206%
PPC EULs Rental >= 155MB	303	260	563	0.017	Circuits	2,707	1,603	169%

Average circuit revenue and costs are monthly averages
Circuit volumes are average volumes
n.m = not measurable

Statement of Costs Wholesale Markets

For the year ended 30 June 2016

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	94,853	(222)	649,673	8.18%	53,143	147,774	1,340,477	110.24
Fibre/High Speed Access Network	7,045	1	62,079	8.18%	5,076	12,124	10,577	1,146.22
NGA	57,809	35	294,610	8.18%	24,100	81,943	(a)	(a)
DSL Equipment	10,289	77	25,023	8.18%	2,047	12,412	(a)	(a)
Other Access Equipment	1,093	-	3,637	8.18%	298	1,391	(a)	(a)
Provisioning	13,017	1	9,384	8.18%	768	13,786	(a)	(a)
Repair	63,374	4	15,092	8.18%	1,235	64,613	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	9,770	(77)	25,411	8.18%	2,079	11,773	1,147,909	10.26
<i>Call Sensitive</i>								
Call Sensitive	4,067	5	7,926	8.18%	648	4,720	(a)	(a)
<i>Traffic sensitive</i>								
Traffic sensitive	4,873	42	8,940	8.18%	731	5,645	(a)	(a)
Interconnect Equipment	364	7	(700)	8.18%	(57)	314	(a)	(a)
Intelligent Network	1,505	-	218	8.18%	18	1,523	1,844,629	0.826
Other Switching Elements	44	(1)	304	8.18%	25	68	(a)	(a)
<i>Transmission network</i>								
<i>Transmission: Non-length dependent</i>								
PSTN link	10,556	(400)	18,033	8.18%	1,475	11,631	3,619,820	0.321
Interconnect link	960	(95)	2,080	8.18%	170	1,031	(a)	(a)
Data incl leased Lines link	3,800	(188)	6,799	8.18%	556	4,168	(a)	(a)
DSL transmission link	6,216	(88)	9,635	8.18%	788	6,916	(a)	(a)
Other data link	1,696	(95)	3,116	8.18%	255	1,856	(a)	(a)
NGN link	37,081	192	80,507	8.18%	6,585	43,858	(a)	(a)
Other transmission link	2,516	(188)	5,065	8.18%	414	2,742	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN length	3,008	(2)	17,182	8.18%	1,405	4,410	1,178,165	0.374
Interconnect Length	76	-	280	8.18%	23	99	(a)	(a)
Data incl leased Lines length	1,007	(1)	5,856	8.18%	479	1,485	(a)	(a)
DSL transmission length	2,176	(1)	12,862	8.18%	1,052	3,226	(a)	(a)
Other data length	1,978	(4)	10,181	8.18%	833	2,808	(a)	(a)
Transmission: Optical	1,579	(3)	10,769	8.18%	881	2,457	(a)	(a)
NGN length	14,264	(13)	75,316	8.18%	6,161	20,413	(a)	(a)
Other transmission length	205	(2)	678	8.18%	55	259	(a)	(a)
<i>Data platforms</i>								
Legacy Leased Lines	3,677	(115)	7,495	8.18%	613	4,175	(a)	(a)
Other Data	2,139	6	4,176	8.18%	342	2,487	(a)	(a)
IMS Platform	9,076	69	29,090	8.18%	2,380	11,525	(a)	(a)
Outpayments	69,692	-	(638)	8.18%	(52)	69,640	(a)	(a)
Carrier Administration	15,472	(376)	11,692	8.18%	956	16,052	(a)	(a)
Carrier billing	2,771	(19)	65,351	8.18%	5,346	8,098	(a)	(a)
Other SMP elements	3,742	(25)	8,866	8.18%	725	4,442	(a)	(a)
Non-SMP elements	8,599	1	(39,097)	8.18%	(3,198)	5,402	(a)	(a)
Total	470,389	(1,479)	1,446,891	8.18%	118,356	587,266		

(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 Wholesale Markets

For the year ended 30 June 2017 (Restated)

	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)								
Cooper Access Network	92,402	(644)	659,836	8.18%	53,975	145,733	1,362,390	106.97
Fibre/High Speed Access Network	6,673	5	58,827	8.18%	4,810	11,490	10,322	1,113.16
NGA	44,203	198	216,049	8.18%	17,674	62,074	(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	63,932	296	12,476	8.18%	1,021	65,249	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	8,284	(566)	26,878	8.18%	2,199	9,918	1,192,417	8.32
Call Sensitive	3,984	(240)	8,570	8.18%	701	4,446	(a)	(a)
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)
<i>Transmission network</i>								
<i>Transmission: Non-length dependent</i>								
PSTN link	9,821	(297)	20,123	8.18%	1,646	11,170	4,189,142	0.267
Interconnect link	941	(56)	2,369	8.18%	194	1,079	(a)	(a)
Data incl leased Lines link	3,791	(138)	8,137	8.18%	866	4,319	(a)	(a)
DSL transmission link	6,167	(120)	11,600	8.18%	949	6,996	(a)	(a)
Other data link	1,565	(61)	3,424	8.18%	280	1,784	(a)	(a)
NGN link	33,994	(996)	86,751	8.18%	7,096	40,094	(a)	(a)
Other transmission link	2,456	(115)	5,791	8.18%	474	2,815	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN link	2,968	(34)	17,775	8.18%	1,454	4,388	1,363,466	0.322
Interconnect Length	107	(2)	438	8.18%	36	141	(a)	(a)
Data incl leased Lines length	1,263	(20)	7,390	8.18%	605	1,868	(a)	(a)
DSL transmission length	2,339	(21)	14,357	8.18%	1,174	3,491	(a)	(a)
Other data length	2,509	(58)	13,343	8.18%	1,091	3,543	(a)	(a)
Transmission: Optical	1,613	(31)	11,114	8.18%	909	2,491	(a)	(a)
NGN length	12,643	(147)	70,348	8.18%	5,754	18,251	(a)	(a)
Other transmission length	202	(4)	755	8.18%	62	261	(a)	(a)
<i>Data platforms</i>								
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	17,503	(960)	9,454	8.18%	773	17,416	(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	(4,679)	1,370,891	8.18%	112,139	555,553		

(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 Wholesale Markets

For the year ended 30 June 2018

Full allocated Cost (€000)

	Total Operating and Capital Costs	Wholesale Fixed Narrowband & Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Interconnect Call Convergence	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)
Copper access network	147,774	131,966	950	14,858	-	-	-
Fibre/High Speed Access Network	12,124	591	10,142	48	-	1,012	331
NGA	81,942	-	-	81,942	-	-	-
DSL equipment	12,413	-	-	12,413	-	-	-
Other access equipment	1,390	851	419	119	-	-	1
Provisioning wholesale networks	13,786	11,342	1,028	828	-	587	1
Repair wholesale networks	64,612	52,851	749	10,603	140	261	8
<i>Line Sensitive</i>							
Subscriber unit - line sensitive	11,772	11,772	-	-	-	-	-
<i>Call Sensitive</i>							
Traffic sensitive	4,721	-	-	-	4,721	-	-
Interconnect equipment	5,644	-	-	-	5,644	-	-
Intelligent Network	315	-	-	-	(33)	348	-
Other switching elements	1,522	-	-	-	1,522	-	-
Transmission network	68	-	-	-	16	52	-
<i>Transmission: Non-length dependent</i>							
PSTN link	11,632	-	-	-	11,632	-	-
Interconnect link	1,031	-	-	-	-	1,031	-
Data incl leased lines link	4,168	294	3,095	602	156	-	21
DSL transmission link	6,917	-	-	6,917	-	-	-
Other data link	1,856	-	1,073	608	-	5	170
NGN Link	43,859	-	16,511	25,984	-	-	1,364
Other transmission link	2,743	1,556	336	6	154	459	232
<i>Transmission: Length dependent</i>							
PSTN length	4,411	-	-	-	4,411	-	-
Interconnect length	98	-	-	-	15	83	-
Data incl leased lines length	1,485	72	1,210	148	38	-	17
DSL transmission length	3,227	-	-	3,227	-	-	-
Other data length	2,807	-	2,210	327	-	12	258
Transmission: Optical	2,457	-	1,649	-	-	-	808
NGN length	20,413	-	3,760	16,603	-	-	50
Other transmission length	258	69	85	16	29	10	49
Data platforms							
Legacy leased lines	4,173	1,635	1,764	581	172	20	1
Other data platforms	2,484	-	554	909	-	3	1,018
IMS Platform	11,525	-	-	-	-	-	11,525
Outpayments	69,638	1,852	(131)	1,932	50,455	(60)	15,590
Carrier administration	15,968	5,156	1,664	3,477	255	886	4,530
Carrier billing	8,096	(20)	889	491	4,513	682	1,541
Other SMP elements	4,444	828	422	942	436	733	1,083
Non-SMP elements	5,402	61	(23)	4	-	-	5,360
Total Wholesale Costs	587,175	220,876	48,356	183,585	84,276	6,124	43,958

Network Cost Market Summary Wholesale Markets

For the year ended 30 June 2017 (Restated)

	Total Operating and Capital Costs	Wholesale Fixed Narrowband & Unbundled Access	Wholesale Leased Lines	Wholesale Broadband Access	Wholesale Interconnect Call Convergence	Wholesale Residual (Regulated)	Wholesale Residual (Unregulated)
Full allocated Cost (€000)							
Copper access network	145,732	131,856	1,013	12,863	-	-	-
Fibre/High Speed Access Network	11,490	645	9,318	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	65,249	53,679	772	10,480	113	191	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)	-
<i>Transmission network</i>							
<i>Transmission: Non-length dependent</i>							
PSTN link	11,170	-	-	-	11,170	-	-
Interconnect link	1,078	-	-	-	-	1,078	-
Data incl leased lines link	4,318	270	3,240	615	136	-	57
DSL transmission link	6,995	-	-	6,995	-	-	-
Other data link	1,785	-	1,031	593	-	6	155
NGN Link	40,094	-	15,070	23,828	-	-	1,196
Other transmission link	2,815	1,576	352	5	163	496	223
<i>Transmission: Length dependent</i>							
PSTN length	4,388	-	-	-	4,388	-	-
Interconnect length	141	-	-	-	19	122	-
Data incl leased lines length	1,868	70	1,533	159	36	-	70
DSL transmission length	3,493	-	-	3,493	-	-	-
Other data length	3,542	-	2,755	462	-	19	306
Transmission: Optical	2,491	-	1,875	-	-	-	616
NGN length	18,250	-	3,215	14,991	-	-	44
Other transmission length	260	65	83	13	41	9	49
<i>Data platforms</i>							
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
<i>Outpayments</i>							
Carrier administration	69,670	(173)	130	1,659	53,195	(42)	14,901
Carrier administration	17,358	5,188	1,803	4,108	227	934	5,098
Carrier billing	7,387	726	780	186	3,400	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	555,485	219,077	47,984	158,020	84,087	6,209	40,108

Notes to the Separated Accounts

Note 1a: Basis of preparation of the Separated Accounts

The financial information for the year ended June 30, 2018 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.

Notes to the Separated Accounts

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.

The preparation of these Separated Accounts requires estimation of the appropriate utilisation of network equipment by pre-defined product and service offerings. The principles under which the Separated Accounts 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.

The unicast usage data which is utilised to allocate costs in the NGN study in 2017 overstated the actual usage of the NGN Network by NGA products. The prior year figures have been restated in order to reflect the corrected allocation of these costs. The impact in the Income Statements is a movement of operating costs of €1.8m from Wholesale Broadband Access to Wholesale Leased Lines €1.4m and Wholesale Residual Unregulated €0.4m.

A review of the NGN routing established that the routing factors applied in 2017 did not adequately take account of Regional and National Handover routing requirements. The prior year figures have been restated to reflect the correct route factors. The impact in the Income Statements is a movement of operating costs of €0.6m into Wholesale Broadband Access from two markets Wholesale Leased Lines €0.5m and Wholesale Residual Unregulated €0.1m.

A review of the transmission study model which is used to allocate costs to network elements identified an incorrect automated allocation of core network duct and cable length costs, particularly between the Legacy, Optical and NGN Networks, and across the Legacy Network Elements. The model has been corrected to ensure appropriate allocation of costs between the network elements and the prior year restated to reflect the corrected model. The impact in the Statement of Costs is a movement in operating costs, €0.6m from Legacy Networks and €0.3m from Optical Networks, in total €0.9m to the NGN Network. The related impact in the Income Statements sees operating cost movements of €1.0m from Wholesale Leased Lines and €0.1m from Wholesale Residual Unregulated into Interconnect Call Conveyance €0.6m and Wholesale Broadband Access €0.5m.

The overall impact of these changes is summarised below.

	2017 Original Return €000	2017 Revised Return €000	2017 Original MCE €000	2017 Revised MCE €000	2017 Original ROCE %	2017 Revised ROCE %
Wholesale Narrowband & Unbundled Access	96,848	96,827	659,224	659,253	15%	15%
Wholesale Broadband Access	34,898	35,448	452,478	452,915	8%	8%
Wholesale Leased Lines	29,741	29,918	144,048	141,947	21%	21%
Total Wholesale Access	161,486	162,193	1,255,751	1,254,115	13%	13%
Wholesale Interconnect Voice	(5,594)	(6,199)	75,761	77,528	(7)%	(8)%
Wholesale Regulated Other	6,139	6,203	18,467	18,175	33%	34%
Wholesale Unregulated Other	16,927	16,684	20,911	21,073	81%	79%
Total Wholesale Other	17,471	16,689	115,139	116,776	15%	14%
Total Wholesale	178,957	178,882	1,370,890	1,370,891	13%	13%

Notes to the Separated Accounts

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

The Separated Accounts are required to be prepared for the wholesale market groups and for individual markets within these wholesale 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 2018 Regulatory Accounts with the main change being that eircom Limited are no longer required to publish a Retail Income Statement or Retail Statement of Mean Capital Employed.

The table below shows the specific Separated Accounts requirements for the year ending June 30, 2018.

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)

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

Note 2: Intra/Inter Business Turnover Reconciliation

FROM / TO		Wholesale Access	Wholesale Other	Retail	Total	Wholesale Access	Wholesale Other	Retail	Total
		30-Jun-18 Intra €000	30-Jun-18 Intra €000	30-Jun-18 Intra €000	30-Jun-18 Intra €000	30-Jun-18 Inter €000	30-Jun-18 Inter €000	30-Jun-18 Inter €000	30-Jun-18 Inter €000
Wholesale Access:	Wholesale Fixed Narrowband Access	-	47,779	145,751	193,529	-	-	-	-
	Wholesale Unbundled Access	-	-	-	-	-	-	15	15
	Wholesale Broadband Access	-	4,239	81,098	85,337	-	-	-	-
	Wholesale Leased Lines	-	604	27,097	27,701	-	-	11,022	11,022
	Total	-	52,622	253,946	306,567	-	-	11,037	11,037
Wholesale Other:	Wholesale Interconnect Call Conveyance	-	7,582	20,445	28,027	-	-	7,134	7,134
	Wholesale Residual (Regulated)	-	1,136	1,529	2,665	-	-	1,529	1,529
	Wholesale Residual (Unregulated)	-	-	16,567	16,567	-	-	6,584	6,584
	Total	-	8,718	38,541	47,259	-	-	15,247	15,247
Retail	Total	-	7,171	-	7,171	202	17,147	33,207	50,556
TOTAL		-	68,510	292,487	360,997	202	17,147	59,492	76,840

Note 3: Income Statement Reconciliation

Consolidated Wholesale Market Groups

Income Statement Reconciliation
For the year ended 30 June 2018

	Revenue Jun-18 €000	Operating costs Jun-18 €000	Return Jun-18 €000	(Restated) Revenue Jun-17 €000	(Restated) Operating costs Jun-17 €000	(Restated) Return Jun-17 €000
Wholesale Access	492,772	344,807	147,965	484,701	322,508	162,193
Wholesale Other	200,076	192,612	7,464	197,565	180,879	16,689
Total Wholesale Market Groups	692,848	537,419	155,429	682,266	503,384	178,882
Other Markets - Retail	960,910	909,866	51,044	995,124	951,724	43,399
Total Market Groups	1,653,758	1,447,285	206,473	1,677,390	1,455,108	222,281
Adjustments						
Elimination of Inter Business turnover and costs between wholesale and retail	(40,831)	(40,831)	-	(40,650)	(40,650)	-
Transfer charges between Retail and Wholesale	(360,998)	(360,998)	-	(353,775)	(353,777)	-
Interest payable and similar charges disallowed	-	-	(93,273)	-	-	(106,270)
Share of profit of associates	-	-	4,604	-	-	10,433
Tax on profits on ordinary activities	-	-	5,509	-	-	9,686
Impact of change to asset lives	-	23,300	(23,300)	-	34,698	(34,698)
Brand Amortisation disallowed	-	25,400	(25,400)	-	25,400	(25,400)
Fair Value Adj	-	44,614	(44,614)	-	-	(5,592)
IFRS pension finance cost disallowed	-	-	(5,278)	-	47,029	(47,029)
Fair Value Lease Adjustment	-	(6,725)	6,725	-	(7,437)	7,437
Non relevant eircom operating costs	-	87,956	(87,956)	-	92,003	(92,003)
Prior year restatement	-	-	-	72	(4)	75
As in the Annual Report	1,251,929	1,220,000	(56,509)	1,283,038	1,252,371	(61,081)

Note 4: Statement of Mean Capital Employed Reconciliation

Consolidated Wholesale Market Groups

Statement of Mean Capital Employed Reconciliation
For the year ended 30 June 2018

	Capital employed Jun-18 €000	(Restated) Capital employed Jun-17 €000
Shareholders' funds as in the Annual Report	(1,231,675)	(1,415,703)
Reconciling items		
Investments in associated undertakings	0	0
Finance income payable (net)	2,692	2,671
Taxation	2,750	9,602
Deferred taxation provision (net)	41,191	12,276
Restructuring provision	62,085	42,053
Pension benefit liability	23,580	258,293
Capitalised interest & EHIL adjustments	(234)	(954)
Liabilities for non relevant eircom operating costs	55,222	68,141
Fair value adjustment in respect of fixed assets	(54,957)	(85,353)
Intangible assets	(60,319)	(85,719)
Goodwill	(209,497)	(209,497)
Elimination of financing balances	488,551	493,856
Elimination of intercompany financing balances	2,254,835	2,256,529
Closing capital employed	1,374,224	1,346,193
Opening capital employed	1,346,193	1,354,217
Total adjusted mean capital employed before determined adjustments	1,360,209	1,350,205
Retail market elimination		
Impact of changes to asset lives	431,722	403,695
Total adjusted mean capital employed	1,791,931	1,753,900
Wholesale Access	1,320,198	1,254,114
Wholesale Other	126,693	116,776
Retail	345,040	383,010
Total mean capital employed	1,791,931	1,753,900

Annex 1: Explanatory Report

Explanatory Report – HCA Separated Accounts

This explanatory report sets out, and clarifies, trends relating to relevant wholesale 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 Wholesale Market;
- Trends relating to volumes, by Relevant Wholesale 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.

Revenue in the wholesale market reported a slight increase in FY18 of 2%. Operating costs in these markets increased by 7%. The FY18 return on wholesale markets was 22%, a year on year decrease of 4%. The FY18 return was significantly impacted by the increase in Wholesale Access operating costs.

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) rural rollout. This resulted in Wholesale Access Mean Capital Employed (MCE) increasing by 5% on the prior year. This has resulted in the Wholesale Return on Capital Employed decreasing from 13% to 11%.

Each of relevant wholesale market 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. If the WNI were to be applied, we would expect wholesale transfer charges to be lower.

Note 2 - Volumes: References to volumes in this report relate to average volumes in FY18 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 18/79, which contains Key Data for the market for the period to June 30, 2018.

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 4% during the year, and stood at 38% at June 2018 (per ComReg 18/79). Total revenue in this market decreased by 3% year on year. The reduction is driven by a decline in market share in all key access markets and ancillary services, which was partially offset by an increase in PSTN WLR price from €15.91 to €16.20, implemented in July 2017 per D03/16.

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

Operating Costs

Despite an increase in storm damage compared to the prior year, operating costs only increased by 2%. The impact of the storm damage in the current year was mitigated by an increase in capitalised labour spend.

Return on Capital Employed (ROCE)

Lower narrowband access volumes resulted in Wholesale Narrowband and Unbundled Access returns decreasing by €10m (10%), whilst ROCE decreased to 14% from 15%.

Exceptional Events/Methodology Changes

Exceptional losses arise from the disposal of assets which are no longer required.

A number of corrections are required in respect of how transmission and NGN core network costs are allocated and require a restatement of the prior year. These changes are detailed in Note 1b Comparative Figures and Methodology Changes on page 22.

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 FY18 following the continued expansion of NGA. The average CGA base has fallen by 29% over the last 2 years, and by 15% in the current year.

Revenues in the WBA market increased 9% year on year due to growth in Bitstream Plus (NGA), offset by decreased revenues from CGA. The trend towards Standalone Broadband (SABB) remains a contributing factor to revenue growth in the WBA market. SABB has the effect of transferring duct, poles and cable across from narrowband access.

Operating Costs

Overall operating costs increased by 15% due primarily to the increase in depreciation associated with the continued expansion of NGA and increased SABB volumes.

Return on Capital Employed (ROCE)

MCE increased by €83m or 18% in the year, due mostly to direct investment in NGA as we rollout FttH to rural premises. Due to the

Explanatory Report - Wholesale Access Business - Wholesale Broadband Access

decrease in operating profit the ROCE was 6% compared to 8% in the previous year.

Exceptional Events/Methodology Changes

Exceptional gains arise from the disposal of assets which are no longer required.

A number of corrections are required in respect of how transmission and NGN core network costs are allocated and require a restatement of the prior year. These changes are detailed in Note 1b Comparative Figures and Methodology Changes on page 22.

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 was flat as legacy products continued to decline and the growth in next generation products was not as significant in FY18. Ethernet revenue grew by 4% reflecting the continuing market shift to IP based services. However, PPC and Leased Line rental revenue fell by 10% - 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 increased by 1%, due mainly to an increase in depreciation charges. This can partly be explained by the growth and investment in NGN network capacity in recent years.

Return on Capital Employed (ROCE)

The MCE for Wholesale Leased Line business remained stable year on year. This, combined with the relatively flat return, resulted in ROCE remaining at 21%.

Exceptional Events/Methodology Changes

The exceptional losses arise from the disposal of assets which are no longer required.

A number of corrections are required in respect of how transmission and NGN core network costs are allocated and require a restatement of the prior year. These changes are detailed in Note 1b Comparative Figures and Methodology Changes on page 22.

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 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 6% to €68m.

Operating Costs

Operating costs have remained in line with the prior year.

Operating Loss

Operating losses increased by 67%, due mainly to the continuing decline in call transit revenue and losses on call termination and call origination services. 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 increased by 7%. However the ROCE of (12)% is reflective of the continued decline in revenues in this wholesale market and the relatively fixed nature of the costs.

Exceptional Events/Methodology Changes

The exceptional losses arise from the disposal of assets which are no longer required.

A number of corrections are required in respect of how transmission and NGN core network costs are allocated and require a restatement of the prior year. These changes are detailed in Note 1b Comparative Figures and Methodology Changes on page 22.