



Historical Cost Separated Accounts

For the year ended 30 June 2019

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 2019 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 2019:

- 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 29 November 2019.

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 2019 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 eircom Limited Annual Report and that reconciliation is demonstrated and explained.

eircom Limited confirms that the Separated Accounts for the year ended 30 June 2019 fairly present, in accordance with the Primary Accounting Documents dated 29 November 2019, 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
29 November 2019

INDEPENDENT AUDITOR'S REPORT TO THE COMMISSION FOR COMMUNICATIONS REGULATION ("COMREG") AND THE DIRECTORS OF EIRCOM LIMITED

Opinion

We have audited the Separated Accounts of eircom Limited (the "Company") for the year ended 30 June 2019, including the Market Financial Statements which comprise the following:

- the Consolidated Wholesale Income Statement and Consolidated Wholesale Statement of Mean Capital Employed;
- 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 and Wholesale Broadband Access;
- the Statement of Network Costs Wholesale Markets;
- the Network Cost Market Summary Wholesale Markets; and
- the Notes to the financial statements.

The Market Financial Statements comprise:

- The Income Statement Wholesale Access and Statement of Mean Capital Employed Wholesale Access, including the Income Statements for the Wholesale Access Markets;
- The Income Statement Wholesale Other and Statement of Mean Capital Employed Wholesale Other, including the Income Statements for the Wholesale Other Markets.

The financial reporting framework that has been applied in their preparation is:

- Direction D08/10 (dated 31 August 2010), ("the Decision Instrument" or "the Regulations"); and
- The Primary Accounting Documents for the year ended 30 June 2019 ("the Primary Accounting Documents").

In our opinion:

- the Separated Accounts of the Company for the year ended 30 June 2019 present fairly, in all material respects, in accordance with the Regulations (including the Decision Instrument) and the Primary Accounting Documents, the results, mean capital employed and costs incurred by eircom Limited and comply with the Regulations.
- Each of the Market Financial Statements for the year ended 30 June 2019, present fairly in all material respects, in accordance with the Primary Accounting Documents dated 30 November 2019, the results, mean capital employed and costs incurred by eircom Limited and comply with the Regulations.

Basis for 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 (together the "Group"), by directions published by ComReg.

We audited the Statutory Financial Statements of eircom Limited for the year ended 30 June 2019 on which we expressed an unqualified audit opinion. In conducting our subsequent examination of the Separated Accounts, and in providing the opinions above, 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.

INDEPENDENT AUDITOR'S REPORT TO THE COMMISSION FOR COMMUNICATIONS REGULATION ("COMREG") AND THE DIRECTORS OF EIRCOM LIMITED (CONTINUED)

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including *ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and having regard to the guidance contained in the ICAEW Technical Release 02/16AAF (Revised) *Reporting to regulators on regulatory accounts*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separated Accounts section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to the fact that the Separated Accounts have been prepared in accordance with a special purpose framework, the Regulations (including the Decision Instrument) and the Primary Accounting Document issued by Comreg. The nature, form and content of the Separated Accounts are determined by ComReg. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for ComReg's purposes. Accordingly, we make no such assessment. The Separated Accounts are separate from the Statutory Financial Statements of the Company and have not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRS"). Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies (Jersey) Law 1991.

Our opinion is not modified in respect of this matter

Other matter

The Statutory Financial Statements of eircom Limited have been prepared on the going concern basis. As noted in the Primary Accounting Documents, the Statutory Financial Statements were approved on 2 September 2019, and directors' assessment of the Company's ability to continue as a going concern was performed as of that date. The assessment reflects the financial position of the Company at 2 September 2019 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

The directors are responsible for the other information. The other information comprises the information included in the Historical Cost Separated Accounts, other than the Separated Accounts and our auditor's report thereon.

Our opinion on the Separated Accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Separated Accounts or a material misstatement of the other information. If, based

INDEPENDENT AUDITOR'S REPORT TO THE COMMISSION FOR COMMUNICATIONS REGULATION ("COMREG") AND THE DIRECTORS OF EIRCOM LIMITED (CONTINUED)

on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors

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 and for such internal control as management determines is necessary to enable the preparation of Separated Accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Separated Accounts

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made, on terms that have been agreed, solely by the

Company and ComReg in order to meet the requirements of the Regulations (including the Decision Instrument) and the Primary Accounting Documents. Our audit work has been undertaken so that we might state to the Company and ComReg those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and ComReg, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Separated Accounts is separate from our opinion on the Statutory Financial Statements of the Company for the year ended 30 June 2019 on which we reported on 2 September 2019, which are prepared for a different purpose. Our audit report in relation to the Statutory Financial Statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with the Companies (Jersey) Law 1991. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Ernst & Young
Chartered Accountants and Registered Auditor
Dublin
30 November 2019

Consolidated Wholesale Income Statement

For the year ended 30 June 2019	30-Jun-19			Restated 30-Jun-18		
	Total	Wholesale Access	Wholesale Other	Total	Wholesale Access	Wholesale Other
	€000	€000	€000	€000	€000	€000
Revenue	685,442	483,121	202,321	693,092	487,878	205,214
Operating costs	510,997	318,397	192,600	535,968	337,059	198,909
Return	174,445	164,724	9,721	157,124	150,819	6,305
Mean capital employed	1,527,182	1,393,204	133,978	1,451,740	1,321,163	130,577
Return on capital employed	11%	12%	7%	11%	11%	5%

Consolidated Wholesale Statement of Mean Capital Employed

as at 30 June 2019	<u>30-Jun-19</u>	<u>30-Jun-19</u>	<u>30-Jun-19</u>	<u>Restated 30-Jun-18</u>	<u>Restated 30-Jun-18</u>	<u>Restated 30-Jun-18</u>
	Total	Wholesale Access	Wholesale Other	Total	Wholesale Access	Wholesale Other
	€000	€000	€000	€000	€000	€000
Non Current Assets						
Property, Plant and Equipment	1,523,513	1,411,596	111,917	1,476,606	1,351,475	125,131
Intangible Assets	36,094	31,393	4,701	37,256	32,609	4,647
Other	8,575	6,573	2,002	9,022	6,877	2,145
Total Non Current Assets	1,568,182	1,449,562	118,620	1,522,884	1,390,961	131,923
Current Assets						
Inventories	4,737	4,056	681	4,734	4,064	670
Trade and other receivables	137,688	62,962	74,726	103,734	44,006	59,728
Cash and cash equivalents	118,178	90,592	27,586	86,536	66,567	19,969
Total Current Assets	260,603	157,610	102,993	195,004	114,637	80,367
Total Assets	1,828,785	1,607,172	221,613	1,717,888	1,505,598	212,290
Liabilities						
Trade and other payables	(229,898)	(154,187)	(75,711)	(202,017)	(131,270)	(70,747)
Provisions for liabilities and charges	(71,703)	(59,780)	(11,923)	(64,130)	(53,164)	(10,966)
Total Liabilities	(301,601)	(213,967)	(87,634)	(266,147)	(184,434)	(81,713)
Mean Capital Employed for the year	1,527,184	1,393,205	133,979	1,451,741	1,321,164	130,577

Market Financial Statements

INCOME STATEMENT WHOLESAL ACCESS For the year ended 30 June 2019

	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18
	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	160,697	53,189	78,234	29,274	175,167	61,811	85,828	27,527
Internal revenue - Inter	10,629	35	-	10,594	11,037	15	-	11,022
Internal revenue - Intra	311,796	191,400	89,963	30,432	301,674	193,529	79,950	28,194
Total revenue	483,121	244,624	168,196	70,301	487,878	255,356	165,779	66,743
Costs								
Cost of Sales	910	864	38	8	1,726	1,822	24	(120)
Product development and management	1,584	597	685	302	2,402	1,069	894	438
Marketing and sales	2,917	1,407	1,048	463	3,135	1,519	1,150	465
Repair and maintenance	58,662	40,090	15,361	3,211	62,308	43,817	15,494	2,996
Finance	3,320	1,656	1,324	340	5,276	2,696	2,017	563
Installation/Provisioning	6,319	4,470	1,242	608	7,367	5,306	1,292	769
Network support	34,587	15,612	15,467	3,508	36,021	16,754	15,806	3,461
General management	8,166	4,076	3,232	858	12,022	6,415	4,399	1,208
Accommodation	21,366	6,412	11,908	3,047	24,319	7,889	13,123	3,308
Information Technology	7,329	3,686	2,874	769	11,065	6,053	3,996	1,016
Transport	6,563	3,980	2,149	434	7,126	4,714	2,043	369
Personnel and administration	1,767	954	640	174	3,294	1,861	1,134	299
Other operating expenses	365	130	236	(2)	181	63	122	(4)
Credit management and billing	175	(10)	18	167	(129)	(251)	(68)	191
Depreciation	164,482	68,138	76,394	19,949	161,487	71,180	69,678	20,630
Total HCA wholesale operating costs	318,512	152,061	132,614	33,837	337,601	170,906	131,106	35,589
Transfer charges from Retail	-	-	-	-	-	-	-	-
Exceptional (Gain) / Loss	(115)	(102)	(18)	5	(542)	(318)	37	(261)
Total Operating costs	318,397	151,959	132,596	33,842	337,059	170,587	131,143	35,328
Return	164,724	92,665	35,600	36,459	150,819	84,769	34,636	31,415
Mean capital employed	1,393,204	642,702	597,382	153,121	1,321,163	664,840	524,601	131,722
Return on capital employed	12%	14%	6%	24%	11%	13%	7%	24%

Market Financial Statements

INCOME STATEMENT WHOLESALÉ OTHER
For the year ended 30 June 2019

	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18
	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	133,997	28,118	11,582	94,297	137,571	32,565	13,482	91,524
Internal revenue - Inter	15,509	7,096	1,361	7,052	15,247	7,134	1,529	6,584
Internal revenue - Intra	52,815	27,368	2,595	22,852	52,396	28,027	2,665	21,704
Total revenue	202,321	62,582	15,537	124,201	205,214	67,725	17,676	119,813
Costs								
Cost of Sales	61,149	48,229	-	12,921	65,874	50,825	(59)	15,108
Product Development and management	553	88	213	252	883	110	375	397
Marketing and Sales	1,145	37	103	1,006	1,794	58	170	1,566
Repair and maintenance	5,992	4,388	624	980	7,107	5,346	509	1,252
Finance	652	235	55	362	1,131	393	122	617
Installation/Provisioning	4,486	-	248	4,237	4,444	2	283	4,159
Network support	5,456	2,553	463	2,441	5,578	3,053	490	2,035
General management	1,920	513	176	1,231	3,026	889	299	1,838
Accommodation	6,880	4,692	600	1,588	7,845	5,480	838	1,528
Information Technology	1,326	592	159	575	1,804	835	219	750
Transport	539	161	89	289	537	155	82	300
Personnel and administration	255	100	34	120	473	200	61	211
Other operating expenses	6,120	1	2	6,117	5,456	8	6	5,442
Credit management and billing	423	164	81	179	1,295	660	143	492
Depreciation	22,675	8,837	1,917	11,921	23,596	9,652	2,012	11,932
Total HCA wholesale operating costs	119,572	70,588	4,764	44,219	130,842	77,665	5,550	47,628
Transfer charges from Wholesale / Revenue transfer to Retail	72,997	1,273	5,650	66,074	69,005	1,097	7,641	60,266
Exceptional (Gain) / Loss	30	21	2	7	(938)	(407)	(178)	(353)
Total Operating costs	192,600	71,883	10,416	110,300	198,909	78,355	13,013	107,540
Return	9,721	(9,302)	5,121	13,901	6,305	(10,630)	4,663	12,272
Mean capital employed	133,978	88,338	22,627	23,013	130,577	82,609	23,345	24,623
Return on capital employed	7%	-11%	23%	60%	5%	-13%	20%	50%

Market Financial Statements

STATEMENT OF MEAN CAPITAL EMPLOYED WHOLESALE ACCESS
as at 30 June 2019

	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18
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	1,411,596	679,927	602,743	128,924	1,351,475	701,426	524,152	125,897
Intangible Assets	31,393	13,685	15,252	2,455	32,609	15,731	14,431	2,448
Other	6,573	2,546	3,504	523	6,877	2,867	3,443	566
Total Non Current Assets	1,449,561	696,158	621,499	131,903	1,390,961	720,024	542,026	128,910
Current Assets								
Inventories	4,056	1,366	2,475	215	4,064	1,946	1,994	124
Trade and other receivables	62,962	20,380	11,343	31,240	44,006	14,115	12,025	17,866
Cash and cash equivalents	90,592	35,089	48,289	7,214	66,567	27,687	33,642	5,239
Total Current Assets	157,609	56,836	62,107	38,669	114,637	43,748	47,660	23,229
Total Assets	1,607,171	752,993	683,606	170,571	1,505,597	763,772	589,687	152,139
Liabilities								
Trade and other payables	(154,187)	(66,017)	(73,069)	(15,101)	(131,270)	(58,393)	(54,452)	(18,424)
Provisions for liabilities and charges	(59,780)	(44,274)	(13,156)	(2,350)	(53,164)	(40,538)	(10,634)	(1,992)
Total Liabilities	(213,967)	(110,291)	(86,225)	(17,450)	(184,434)	(98,931)	(65,086)	(20,417)
Mean Capital Employed for the year	1,393,204	642,702	597,382	153,121	1,321,163	664,840	524,601	131,722

Market Financial Statements

STATEMENT OF MEAN CAPITAL EMPLOYED WHOLESAL OTHER
as at 30 June 2019

	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18	Restated 30-Jun-18
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	€000
Non Current Assets								
Property, Plant and Equipment	111,917	51,171	17,168	43,577	125,131	56,926	18,109	50,096
Intangible Assets	4,701	1,282	407	3,012	4,647	1,315	385	2,947
Other	2,002	1,244	84	673	2,146	1,324	105	716
Total Non Current Assets	118,620	53,698	17,660	47,263	131,923	59,565	18,599	53,759
Current Assets								
Inventories	681	571	75	35	670	579	72	18
Trade and other receivables	74,726	42,790	6,343	25,593	59,728	35,130	5,965	18,633
Cash and cash equivalents	27,586	17,146	1,164	9,276	19,969	12,539	854	6,576
Total Current Assets	102,993	60,508	7,582	34,904	80,366	48,248	6,892	25,227
Total Assets	221,612	114,204	25,241	82,167	212,290	107,813	25,491	78,986
Liabilities								
Trade and other payables	(75,711)	(23,442)	(2,213)	(50,056)	(70,747)	(22,796)	(1,787)	(46,164)
Provisions for liabilities and charges	(11,923)	(2,425)	(402)	(9,097)	(10,966)	(2,408)	(359)	(8,199)
Total Liabilities	(87,635)	(25,867)	(2,615)	(59,153)	(81,713)	(25,204)	(2,146)	(54,363)
Mean Capital Employed for the year	133,978	88,338	22,627	23,013	130,577	82,609	23,345	24,623

Statement of Average Cost and Revenue by Service

Wholesale Fixed Narrowband & Unbundled Access
For the year ended 30 June 2019

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-19	53,189	191,435	244,624	151,959	92,665	37.88%	642,702	14.42%

Service

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	46,738	160,306	207,044	1,043	Lines	16.55	14.92	111%
SB WLR ISDN BRA Rental & Connections	2,624	15,256	17,880	50	Lines	29.61	13.98	212%
SB WLR ISDN FRA/PRA Rental & Connections	1,916	15,838	17,755	5	Lines	276.44	113.11	244%
LLU & Line Share Connections	23	-	23		n.m			
LLU Rental	547	-	547	3	Lines	13.42	18.03	74%
Line Share Rental	303	-	303	28	Lines	0.8921	0.125	715%
Physical Co-location	1,037	35	1,072		n.m			

Jun-18
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-18 Restated	61,811	193,544	255,355	170,587	84,768	33.20%	664,840	12.75%

Service

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	1.07	0.202	529%
Physical Co-location	1,068	15	1,083		n.m			

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

Statement of Average Cost and Revenue by Service

Wholesale Broadband Access
For the year ended 30 June 2019

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-19	78,234	89,963	168,197	132,596	35,601	21.17%	597,382	5.96%

Service

	External revenue	Internal revenue	Total revenue	Volume	Unit	Average revenue	FAC average cost	Average revenue / cost
	€000	€000	€000	000's		€	€	
WBA Connections	2,534	3,864	6,397		n.m			
CGA Rental	12,095	14,609	26,704	266	Lines	8.37	5.64	148%
NGA Rental	53,155	45,399	98,555	665	Lines	12.35	14.95	83%
CGA Usage	4,005	5,418	9,423	202	Lines	3.88	4.81	81%
NGA Usage	6,445	20,673	27,118	455	Lines	4.97	4.79	104%

Jun-18
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-18 Restated	85,828	79,950	165,778	131,143	34,635	20.89%	524,601	6.60%

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	2,182	4,999		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%

Average revenue and costs are monthly averages.

Rental volumes are average volumes.

Statement of Network Costs Wholesale Markets

For the year ended 30 June 2019

Fully 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	90,900	(46)	614,206	8.18%	50,242	141,096	1,298,393	108.67
Fibre/High Speed Access Network	7,625	(10)	68,893	8.18%	5,633	13,248	10,804	1,226.20
NGA	66,181	(24)	429,805	8.18%	35,159	101,316	(a)	(a)
DSL Equipment	7,628	8	20,096	8.18%	1,644	9,280	(a)	(a)
Other Access Equipment	957	-	3,284	8.18%	269	1,226	(a)	(a)
Provisioning	9,945	(4)	8,753	8.18%	716	10,657	(a)	(a)
Repair	52,189	(84)	11,857	8.18%	970	53,075	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	8,660	11	22,901	8.18%	1,873	10,544	1,096,179	9.62
<i>Call Sensitive</i>								
Call Sensitive	3,818	3	7,003	8.18%	573	4,394	(a)	(a)
<i>Traffic sensitive</i>								
Traffic sensitive	4,384	4	8,421	8.18%	689	5,077	(a)	(a)
Interconnect Equipment	325	-	(847)	8.18%	(69)	256	(a)	(a)
Intelligent Network	531	-	230	8.18%	19	550	1,623,087	0.339
Other Switching Elements	(37)	-	255	8.18%	21	16	(a)	(a)
<u>Transmission network</u>								
<i>Transmission: Non-length dependent</i>								
PSTN link	8,993	12	13,971	8.18%	1,143	10,148	3,088,719	0.329
Interconnect link	773	2	1,570	8.18%	128	903	(a)	(a)
Data incl leased Lines link	2,965	5	4,823	8.18%	395	3,365	(a)	(a)
DSL transmission link	4,932	5	6,890	8.18%	564	5,501	(a)	(a)
Other data link	1,462	2	2,453	8.18%	201	1,665	(a)	(a)
NGN link	33,124	13	68,950	8.18%	5,640	38,777	(a)	(a)
Other transmission link	2,379	4	5,138	8.18%	420	2,803	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN length	2,849	-	16,034	8.18%	1,312	4,161	1,005,305	0.414
Interconnect Length	63	-	280	8.18%	23	86	(a)	(a)
Data incl leased Lines length	1,002	-	5,644	8.18%	462	1,464	(a)	(a)
DSL transmission length	2,090	-	12,124	8.18%	992	3,082	(a)	(a)
Other data length	2,180	-	10,639	8.18%	870	3,050	(a)	(a)
Transmission: Optical	1,805	-	11,581	8.18%	947	2,752	(a)	(a)
NGN length	13,241	-	70,254	8.18%	5,747	18,988	(a)	(a)
Other transmission length	198	-	655	8.18%	54	252	(a)	(a)
<u>Data platforms</u>								
Legacy Leased Lines	3,019	3	6,200	8.18%	507	3,529	(a)	(a)
Other Data	1,456	1	3,819	8.18%	312	1,769	(a)	(a)
IMS Platform	9,556	1	22,521	8.18%	1,842	11,399	(a)	(a)
Outpayments	62,058	-	5,155	8.18%	422	62,480	(a)	(a)
Carrier Administration	11,391	10	8,739	8.18%	715	12,116	(a)	(a)
Carrier billing	2,327	-	84,797	8.18%	6,936	9,263	(a)	(a)
Other SMP elements	2,375	1	7,952	8.18%	650	3,026	(a)	(a)
Non-SMP elements	14,740	(4)	(37,864)	8.18%	(3,097)	11,639	(a)	(a)
Total	438,084	(87)	1,527,182	8.18%	124,923	562,920		

(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 Network Costs Wholesale Markets

For the year ended 30 June 2018 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
Fully allocated cost (€000)								
Copper Access Network	94,116	(222)	634,125	8.18%	51,871	145,765	1,340,477	108.74
Fibre/High Speed Access Network	7,037	1	62,954	8.18%	5,150	12,187	10,577	1,152.21
NGA	54,375	35	320,873	8.18%	26,247	80,657	(a)	(a)
DSL Equipment	10,206	77	24,984	8.18%	2,044	12,326	(a)	(a)
Other Access Equipment	1,090	-	3,639	8.18%	298	1,388	(a)	(a)
Provisioning	12,897	1	9,254	8.18%	757	13,655	(a)	(a)
Repair	63,097	4	14,893	8.18%	1,218	64,319	(a)	(a)
<i>Line Sensitive</i>								
Subscriber Unit	9,712	(77)	25,399	8.18%	2,078	11,713	1,147,909	10.20
<i>Call Sensitive</i>	4,043	5	7,835	8.18%	641	4,689	(a)	(a)
<i>Traffic sensitive</i>	4,841	41	8,880	8.18%	726	5,609	(a)	(a)
Interconnect Equipment	362	7	(701)	8.18%	(57)	312	(a)	(a)
Intelligent Network	1,503	0	217	8.18%	18	1,521	1,844,629	0.825
Other Switching Elements	43	(1)	304	8.18%	25	67	(a)	(a)
<i>Transmission network</i>								
<i>Transmission: Non-length dependent</i>								
PSTN link	10,520	(400)	17,906	8.18%	1,465	11,585	3,619,820	3.200
Interconnect link	956	(99)	2,066	8.18%	169	1,026	(a)	(a)
Data incl leased Lines link	3,787	(188)	6,751	8.18%	552	4,151	(a)	(a)
DSL transmission link	6,196	(88)	9,565	8.18%	782	6,891	(a)	(a)
Other data link	1,691	(95)	3,094	8.18%	253	1,848	(a)	(a)
NGN link	36,908	192	80,428	8.18%	6,579	43,679	(a)	(a)
Other transmission link	2,507	(188)	5,029	8.18%	411	2,731	(a)	(a)
<i>Transmission: Length dependent</i>								
PSTN link	2,988	(3)	16,850	8.18%	1,378	4,364	1,178,165	3.704
Interconnect Length	76	(0)	271	8.18%	22	98	(a)	(a)
Data incl leased Lines length	1,001	(1)	5,733	8.18%	469	1,469	(a)	(a)
DSL transmission length	2,162	(1)	12,588	8.18%	1,030	3,190	(a)	(a)
Other data length	1,966	(4)	10,026	8.18%	820	2,782	(a)	(a)
Transmission: Optical	1,568	(3)	10,435	8.18%	854	2,418	(a)	(a)
NGN length	14,189	(13)	74,419	8.18%	6,087	20,263	(a)	(a)
Other transmission length	205	(2)	670	8.18%	55	257	(a)	(a)
<i>Data platforms</i>								
Legacy Leased Lines	3,657	(115)	7,413	8.18%	606	4,148	(a)	(a)
Other Data	2,130	6	4,097	8.18%	335	2,471	(a)	(a)
IMS Platform	9,068	69	29,079	8.18%	2,379	11,516	(a)	(a)
Outpayments	67,583	-	(1,069)	8.18%	(87)	67,496	(a)	(a)
Carrier Administration	15,383	(376)	11,634	8.18%	952	15,959	(a)	(a)
Carrier billing	2,705	(19)	62,631	8.18%	5,123	7,809	(a)	(a)
Other SMP elements	3,396	(25)	8,737	8.18%	715	4,086	(a)	(a)
Non-SMP elements	14,479	1	(39,270)	8.18%	(3,212)	11,268	(a)	(a)
Total	468,443	(1,480)	1,451,740	8.18%	118,752	585,715		

(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 2019

	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)
Fully allocated Cost (€000)							
Copper access network	141,097	133,376	546	7,175	-	-	-
Fibre/High Speed Access Network	13,250	1,235	9,748	31	-	2,001	235
NGA	101,316	-	-	101,316	-	-	-
DSL equipment	9,280	-	-	9,280	-	-	-
Other access equipment	1,226	750	383	91	-	-	2
Provisioning wholesale networks	10,657	7,687	789	1,594	-	379	208
Repair wholesale networks	53,076	41,336	658	10,495	114	455	18
<i>Line Sensitive</i>							
Subscriber unit - line sensitive	10,544	10,544	-	-	-	-	-
<i>Call Sensitive</i>							
Traffic sensitive	4,394	-	-	-	4,394	-	-
<i>Traffic sensitive</i>							
Interconnect equipment	5,077	-	-	-	5,077	-	-
Intelligent Network	255	-	-	-	(40)	295	-
Other switching elements	550	-	-	-	550	-	-
	(15)	-	-	-	5	(20)	-
<u>Transmission network</u>							
<i>Transmission: Non-length dependent</i>							
PSTN link	10,148	-	-	-	10,148	-	-
Interconnect link	903	-	-	-	-	903	-
Data incl leased lines link	3,363	265	2,941	7	146	-	4
DSL transmission link	5,500	-	-	5,500	-	-	-
Other data link	1,665	-	963	535	-	5	162
NGN Link	38,777	-	14,338	23,280	-	-	1,159
Other transmission link	2,803	1,409	440	6	141	593	214
<i>Transmission: Length dependent</i>							
PSTN length	4,159	-	-	-	4,159	-	-
Interconnect length	87	-	-	-	2	85	-
Data incl leased lines length	1,465	74	1,329	2	42	-	18
DSL transmission length	3,082	-	-	3,082	-	-	-
Other data length	3,051	-	2,383	344	-	15	309
Transmission: Optical	2,753	-	1,913	-	-	-	840
NGN length	18,988	-	3,592	15,355	-	-	41
Other transmission length	253	71	77	14	31	7	53
<u>Data platforms</u>							
Legacy leased lines	3,530	1,467	1,870	9	164	20	-
Other data platforms	1,765	-	407	645	-	2	711
IMS Platform	11,398	-	-	-	-	-	11,398
Outpayments	62,480	885	7	39	48,323	-	13,226
Carrier administration	12,115	3,818	1,473	2,663	174	658	3,329
Carrier billing	9,263	1,078	2,269	(581)	4,149	606	1,742
Other SMP elements	3,027	506	289	570	256	613	793
Non-SMP elements	11,639	31	(48)	10	-	-	11,646
Total Wholesale Costs	562,921	204,532	46,367	181,462	77,835	6,617	46,108

Network Cost Market Summary Wholesale Markets

For the year ended 30 June 2018 Restated

	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)
Fully allocated Cost (€000)							
Copper access network	145,765	137,374	587	7,803	-	-	0
Fibre/High Speed Access Network	12,187	1,341	8,509	33	-	2,086	218
NGA	80,657	-	-	80,657	-	-	-
DSL equipment	12,326	-	-	12,326	-	-	-
Other access equipment	1,388	851	417	119	-	-	1
Provisioning wholesale networks	13,655	11,227	1,024	820	-	584	0
Repair wholesale networks	64,319	51,053	734	12,124	139	260	8
<i>Line Sensitive</i>							
Subscriber unit - line sensitive	11,713	11,713	-	-	-	-	-
<i>Call Sensitive</i>							
4,689	-	-	-	-	4,689	-	-
<i>Traffic sensitive</i>							
5,609	-	-	-	-	5,609	-	-
Interconnect equipment	312	-	-	-	(34)	346	-
Intelligent Network	1,521	-	-	-	1,521	-	-
Other switching elements	67	-	-	-	16	52	-
<u>Transmission network</u>							
<i>Transmission: Non-length dependent</i>							
PSTN link	11,585	-	-	-	11,585	-	-
Interconnect link	1,026	-	-	-	-	1,026	-
Data incl leased lines link	4,151	293	3,082	600	156	-	21
DSL transmission link	6,891	-	-	6,891	-	-	-
Other data link	1,848	0	1,068	606	-	5	169
NGN Link	43,679	-	16,450	25,871	-	-	1,359
Other transmission link	2,731	1,556	321	6	153	464	231
<i>Transmission: Length dependent</i>							
PSTN length	4,364	-	-	-	4,364	-	-
Interconnect length	98	-	-	-	15	83	-
Data incl leased lines length	1,469	71	1,197	146	38	0	17
DSL transmission length	3,190	-	-	3,190	-	-	-
Other data length	2,782	-	2,193	322	-	12	255
Transmission: Optical	2,418	-	1,623	-	-	-	795
NGN length	20,263	-	3,734	16,479	-	-	50
Other transmission length	257	70	84	16	28	10	49
<u>Data platforms</u>							
Legacy leased lines	4,148	1,626	1,750	578	172	20	1
Other data platforms	2,468	0	549	905	-	3	1,012
IMS Platform	11,516	-	-	-	-	-	11,516
Outpayments	67,496	1,852	(131)	24	50,456	(60)	15,354
Carrier administration	15,961	5,135	1,655	3,445	254	991	4,481
Carrier billing	7,809	(18)	882	263	4,463	681	1,539
Other SMP elements	4,086	761	380	849	392	721	985
Non-SMP elements	11,268	61	(23)	4	-	-	11,226
Total Wholesale Costs	585,715	224,968	46,086	174,074	84,016	7,282	49,288

Notes to the Separated Accounts

Note 1a: Basis of preparation of the Separated Accounts

The financial information for the year ended 30 June 2019 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.

Market Group	Markets
Wholesale Access	Wholesale Fixed Narrowband and Unbundled Access Wholesale Broadband Access Wholesale Leased Lines
Wholesale Other	Wholesale Interconnect Call Conveyance Wholesale Residual (Regulated) Wholesale Residual (Unregulated)

Notes to the Separated Accounts

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.

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. The table above shows the specific Separated Accounts requirements for the year ending 30 June 2019.

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.

eir has introduced a more cost causal approach where length dependant costs are now allocated using a length weighting for the copper access network. The change resulted in €34m Mean Capital Employed (MCE) moving from Wholesale Broadband and Wholesale Leased Lines to Wholesale Narrowband Access. €3m of associated operating costs also moved in the same direction.

A review of the allocation of duct was performed during the year with a particular emphasis on sub-duct. As the magnitude of investment in sub-duct has grown significantly in recent years, it is no longer appropriate to allocate as duct. As sub-duct exclusively supports Fibre based products, the impact of this review resulted in a movement of €18m MCE and €0.4m Depreciation from Narrowband Access mostly into Broadband Access, with some lesser impact in Leased Lines Access.

Given the significant growth in VUA services, we have reviewed the cost allocations to the VUA services. We identified that the NGA VUA services were not being charged to NGN port infrastructure cost. NGN port access was included for WEILS (Core Side), but no cost allocation was made for Access ports on AGG routers (subscriber side). From 2019, Access ports used by the VUA ('Rental') service are charged based on actual usage. For consistency a prior year adjustment is posted. The impact of this change is a movement of €3.6m Operating costs from NGA Usage to NGA Rental (~14%) and €8m MCE.

We have identified that appropriation codes used for In Home Services were not consistent with their original definition. The cost impact of this correction is €5.7m of operating costs moving from Wholesale Broadband Connections to Wholesale Unregulated Other (In Home Services). This also impacted the volumes used for calculating the In Home Services IBU. This correction resulted in a charge of €5.2m from Wholesale Unregulated Other (In Home Services) moving to Retail Other.

Notes to the Separated Accounts

During the preparation of the 2019 working lines study, we identified a driver error. Correcting for this resulted in a movement in MCE of €8.6m from Leased Lines to Interconnect Links (€5.5m), ISDN (€3.8m) and Wholesale Other €0.7M. In terms of total operating costs, Leased Lines and IBU CC decreased by €0.5m each while Interconnect Links (€0.6m) and ISDN (€0.4m) both increased as a result of the correction.

ComReg have directed us that for Asset class 2600 (which represents all FTTH installations) to reclass these assets to FTTH Connections within the NGA Connections market. Previously these costs flows were allocated to NGA Rental. The impact of this change is a movement of total operating costs of €0.6m from NGA Rental to NGA Connections. Mean Capital Employed of €9.3m moved from NGA Rental to NGA Connections.

eir's revenue recognition policy for the statutory financial statements defers both FTTH and FTTC connection revenue over 4 years. For the regulatory financial statements we have agreed with Comreg to align this treatment with our FTTH and FTTC connection revenues including transfer charges. The impact of this change was to decrease the IBU Revenue by €5m and increase the associated deferred balance by the same amount.

WIP depreciation is adjusted for the impact of the Regulatory Asset lives. However, the WIP provision was not adjusted in line with this. In order to have a more accurate portrayal of WIP, the WIP provision is now also adjusted. As a result of this change, the NBV in Wholesale increased by €6m and the NBV in Retail reduced by €5m in the prior year. A depreciation charge of €4m was recognised in the prior year, split between Wholesale Broadband Access (€2m) and Retail Other (€2m).

The overall impact of these changes is summarised below.

	2018 Original Return €000	2018 Restated Return €000	2018 Original MCE €000	2018 Restated MCE €000	2018 Original ROCE %	2018 Restated ROCE %
Wholesale Narrowband & Unbundled Access	86,994	84,769	642,059	664,840	14%	13%
Wholesale Broadband Access	31,456	34,636	535,901	524,601	6%	7%
Wholesale Leased Lines	29,515	31,415	142,239	131,722	21%	24%
Total Wholesale Access	147,965	150,820	1,320,199	1,321,163	11%	11%
Wholesale Interconnect Voice	(10,344)	(10,630)	83,258	82,609	(12)%	(13)%
Wholesale Regulated Other	5,257	4,663	17,773	23,345	30%	20%
Wholesale Unregulated Other	12,551	12,272	25,662	24,623	49%	50%
Total Wholesale Other	7,464	6,305	126,693	130,577	6%	5%
Total Wholesale	155,429	157,125	1,446,890	1,451,740	11%	11%

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

Note 2: Intra/Inter Business Turnover Reconciliation

FROM / TO		↓				→			
		Wholesale Access 30-Jun-19 Intra €000	Wholesale Other 30-Jun-19 Intra €000	Retail 30-Jun-19 Intra €'000	Total 30-Jun-19 Intra €'000	Wholesale Access 30-Jun-19 Inter €000	Wholesale Other 30-Jun-19 Inter €'000	Retail 30-Jun-19 Inter €'000	Total 30-Jun-19 Inter €000
Wholesale Access:	Wholesale Fixed Narrowband Access	-	53,643	137,758	191,400	-	-	-	-
	Wholesale Unbundled Access	-	-	-	-	-	-	35	35
	Wholesale Broadband Access	-	4,211	85,752	89,963	-	-	-	-
	Wholesale Leased Lines	-	1,273	29,159	30,431	-	-	10,594	10,594
	Total	-	59,127	252,668	311,794	-	-	10,629	10,629
Wholesale Other:	Wholesale Interconnect Call Conveyance	-	7,345	20,023	27,368	-	-	7,096	7,096
	Wholesale Residual (Regulated)	-	1,253	1,342	2,595	-	-	1,361	1,361
	Wholesale Residual (Unregulated)	-	-	22,852	22,852	-	-	7,052	7,052
	Total	-	8,597	44,217	52,815	-	-	15,509	15,509
Retail	Total	-	5,273	-	5,273	172	14,975	34,455	49,604
TOTAL		-	72,997	296,886	369,882	172	14,975	60,592	75,742

Note 3: Income Statement Reconciliation

Consolidated Wholesale Market Groups

Income Statement Reconciliation
For the year ended 30 June 2019

	Revenue Jun-19 €000	Operating costs Jun-19 €000	Return Jun-19 €000	(Restated) Revenue Jun-18	(Restated) Operating costs Jun-18 €000	(Restated) Return Jun-18 €000
Wholesale Access	483,121	318,397	164,724	487,878	337,059	150,819
Wholesale Other	202,321	192,600	9,721	205,214	198,909	6,305
Total Wholesale Market Groups	685,442	510,997	174,445	693,091	535,967	157,124
Other Markets - Retail	939,912	859,065	80,846	960,910	912,546	48,365
Total Market Groups	1,625,354	1,370,062	255,291	1,654,002	1,448,513	205,489
Adjustments						
Elimination of Inter Business turnover and costs between wholesale and retail	(38,598)	(38,598)	-	(40,831)	(40,831)	-
Transfer charges between Retail and Wholesale	(369,884)	(373,362)	3,478	(361,242)	(366,646)	5,404
Interest payable and similar charges disallowed			(101,681)			(93,273)
Share of profit of associates			10,742			4,604
Tax on profits on ordinary activities			(1,807)			5,509
Impact of change to asset lives		30,634	(30,634)		27,703	(27,703)
Brand Amortisation disallowed		25,400	(25,400)		25,400	(25,400)
Fair Value Adj		37,977	(37,977)		44,614	(44,614)
IFRS pension finance cost disallowed			(371)			(5,278)
Fair Value Lease Adjustment		(5,562)	5,562		(6,725)	6,725
Non relevant eircom operating costs		47,806	(47,806)		87,955	(87,955)
As in the Annual Report	1,216,872	1,094,357	29,396	1,251,929	1,219,983	(56,491)

Note 4: Statement of Mean Capital Employed Reconciliation

Consolidated Wholesale Market Groups

Statement of Mean Capital Employed Reconciliation
For the year ended 30 June 2019

	Capital employed Jun-19 €000	(Restated) Capital employed Jun-18 €000
Shareholders' funds as in the Annual Report	(1,338,434)	(1,231,675)
Reconciling items		
Investments in Associated Undertakings	0	0
Finance Income Payable / (Receivable) Net	3,496	2,692
Taxation	(6,034)	2,750
Deferred Taxation provision (net)	84,654	41,191
Restructuring Provision	0	62,085
Pension Benefit (Asset)/Liability	(199,742)	23,580
Capitalised interest	175	(234)
Liabilities for non relevant eircom operating costs	128,681	55,222
IFRS 3 Purchase Price Allocation Adjustment	(97,639)	(54,957)
Deferred connections	(8,866)	(5,387)
Intangible assets	(34,919)	(60,319)
Goodwill	(209,497)	(209,497)
Elimination of financing balances	(22,098)	488,551
Elimination of intercompany financing balances	3,104,179	2,254,842
Closing capital employed	1,403,957	1,368,844
Opening capital employed	1,368,837	1,346,193
Total adjusted mean capital employed before determined adjustments	1,386,397	1,357,519
Impact of changes to asset lives	462,862	436,890
Total mean capital employed	1,849,259	1,794,409
Wholesale Access	1,393,204	1,321,163
Wholesale Other	133,978	130,577
Retail	322,077	342,668
Total mean capital employed	1,849,259	1,794,409

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 decrease in FY19 of 1%. Operating costs in these markets decreased by 5%. The material decrease in operating costs results from headcount reduction in central services. Central services by their nature are a joint and common cost. In accordance with Primary and Secondary Accounting Documentation, these are largely allocated on an EPMU basis. The FY19 return on wholesale markets was 25%, a year on year increase of 2%.

The group continued to heavily invest in access network infrastructure, particularly with the FTTH (Fibre to the Home) rural rollout (including the 300k Rural rollout which is now complete). This resulted in Wholesale Access Mean Capital Employed (MCE) increasing by 5% on the prior year.

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 FY19 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 19/82, which contains Key Data for the market for the period to 30 June 2019.*

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 and stood at 39% at June 2019 (per ComReg 19/82). Total revenue in this market decreased by 4% 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 €16.20 to €16.41, implemented in July 2018 per D03/16.

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

Operating Costs

There were no significant storm or weather events compared to the prior year. As a result, operating costs decreased by 11%.

Return on Capital Employed (ROCE)

Lower operating costs resulted in Wholesale Narrowband and Unbundled Access returns increasing by €8m (9%), whilst ROCE increased from 13% to 14%. Mean Capital Employed dropped due to focus on fibre technologies and higher share of common assets to fibre.

Exceptional Events/Methodology Changes

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

Eir with the agreement of ComReg have introduced a length based allocation of copper length costs in this year's accounts and restated the prior year to reflect its impact. A further improvement was to identify the value of sub duct included in the duct asset class and allocate this across fibre based services only and remove from the copper access network element.

A number of corrections are required in respect of the prior year. These changes are detailed in Note 1b Comparative Figures and Methodology Changes on pages 21-22.

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

ComReg published a Decision Notice D11/18 Pricing of Wholesale Broadband Services in the WLA and WCA Markets 19 November 2018. This decision reduced a number of CGA and FTTC prices in the regional market segment. Consistent with our cost orientation obligations, set out in ComReg D11/18, a FTTH connection/migration charge was introduced of €170. These price changes had the effect of reducing revenues in the last quarter FY 2019.

Trends in Reported Balances

Revenues/Volumes

The rate of decline in the CGA base continued in FY19 following the continued expansion of NGA. The average CGA base has decreased with a 14% drop in the current year.

Revenues in the WBA market increased 1% 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 NGA market. SABB has the effect of transferring duct, poles and cable across from narrowband access.

Operating Costs

Overall operating costs increased by 1% due primarily to the shift in costs from copper to fibre.

Explanatory Report - Wholesale Access Business - Wholesale Broadband Access

Return on Capital Employed (ROCE)

The return is broadly flat with increased revenues being offset by increased costs. The ROCE has decreased as a result of the increased levels of investment in FTTH NGA network.

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, NGN core network costs, connection revenue and In Home Services costs are allocated and require a restatement of the prior year. These changes are detailed in Note 1b Comparative Figures and Methodology Changes on pages 21-22.

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 increased by 5% due to continued growth in next generation products. Ethernet revenue grew by 13% reflecting the continuing market shift to IP based services. However, PPC and Leased Line rental revenue fell by 12% - 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 4% largely impacted by a decrease in depreciation.

Return on Capital Employed (ROCE)

The ROCE remained consistent with the prior year at 24%.

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 pages 21-22.

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.

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 8% to €63m.

Operating Costs

Operating costs have decreased by 8%, broadly in line with the decline in revenue.

Operating Loss

Operating losses decreased by 12%, 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.

Explanatory Report - Wholesale Other Business - Wholesale Call Conveyance

Return on Capital Employed (ROCE)

The total MCE increased by 7%. However the ROCE of (11)% 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 pages 21-22.