



# Historical Cost Separated Accounts

For the year ended 31 December 2024

Primary Accounting Documentation

## Table of Contents

<b>1</b>	<b>OVERVIEW .....</b>	<b>3</b>
1.1	Introduction.....	3
1.2	Eircom Limited Organisation Structure .....	4
1.3	Overlay of the Regulatory Framework on the Organisation Structure.....	6
1.4	Eircom Limited and Subsidiaries Accounting Records .....	11
1.5	Basis of preparation of Separated Accounts.....	11
1.6	Regulatory Accounting Principles.....	12
<b>2</b>	<b>DEFINITIONS OF THE WHOLESALE MARKETS .....</b>	<b>13</b>
2.1	Wholesale Access .....	14
2.2	Wholesale Other .....	16
<b>3</b>	<b>ATTRIBUTION METHODS .....</b>	<b>19</b>
3.1	Introduction.....	19
3.2	Attribution Methodologies .....	19
3.3	Revenue .....	23
3.4	Costs.....	25
3.5	Mean Capital Employed .....	28
3.6	Apportionment of Network Costs .....	31
3.7	Regulatory Decisions .....	35
3.8	Network Transfer Charges.....	36
<b>4</b>	<b>TRANSFER CHARGE.....</b>	<b>38</b>
4.1	Background and Overview .....	38
4.2	Transfer Charges from the Wholesale Access Markets .....	40
4.3	Transfer Charges from the Wholesale Other Markets.....	41
4.4	Other Intra-Eircom Limited Transfer Charges.....	44
4.5	Reporting of Transfer Charges .....	45
<b>5</b>	<b>ACCOUNTING POLICIES.....</b>	<b>46</b>
5.1	Basis of Preparation.....	46
5.2	Going Concern .....	47
5.3	Basis of Consolidation .....	47
5.4	Goodwill .....	48
5.5	Intangible Assets.....	49
5.6	Revenue Recognition.....	49
5.7	Exceptional Items.....	52
5.8	Amounts Paid and Payable to Other Operators .....	53
5.9	Customer Acquisition Costs .....	53
5.10	Foreign Currencies.....	53
5.11	Taxation .....	54

5.12	Financial Instruments.....	54
5.13	Property, Plant and Equipment.....	55
5.14	Impairment of Non-Financial Assets .....	57
5.15	Leased Assets .....	57
5.16	Inventories .....	59
5.17	Trade and Other Receivables .....	59
5.18	Cash and Cash Equivalents .....	60
5.19	Indefeasible Rights of Use (IRU) .....	60
5.20	Employee Benefits .....	60
5.21	Provisions .....	62
5.22	Financial Guarantee Contracts.....	63
5.23	Contingent Liabilities and Contingent Assets.....	63
5.24	Share Capital.....	63
5.25	Dividend Distribution .....	63
5.26	Dividends.....	63
6	APPENDICES .....	64
6.1	open eir Network Elements .....	64
6.2	Functional Cost Categories .....	70

# 1 Overview

## 1.1 Introduction

Under the Framework for the Regulation of Electronic Communications, the Commission for Communications Regulations (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 a requirement for accounting separation, price control and cost accounting. Eircom Limited has been designated with SMP in a number of markets, and, in each case, is subject to some of these obligations.

The accounting separation obligations require the publication of annual Separated Accounts, as if Eircom Limited was a functionally separated business with Wholesale and Retail divisions. Cost accounting obligations require the compilation of revenue and cost data at a level of detail which allows the Regulator to monitor compliance with price controls and the returns available from services sold in regulated markets.

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

Decision D08/10 requires Eircom Limited to produce the following, which together comprise the Regulated Accounts (hereinafter referred to as the “Accounts”):

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

This document constitutes the ‘Primary Accounting Documentation’ required to be produced and published by Eircom Limited, under the guidance of Decision D08/10.

Additional requirements arise from various Decisions imposing SMP, and remedies of cost accounting or price control. The relevant Decisions are referred to collectively hereinafter as the “Decision Notices”.

The requirements that arise from both Decision D08/10 and the Decision Notices are reviewed and agreed annually with ComReg.

The table below shows the specific HCA Separated Accounts requirements for the year ended 31 December 2024:

Market group	Markets
Wholesale Access	Wholesale Physical Access Wholesale Local Access Wholesale High Quality Access
Wholesale Other	Wholesale Residual (Regulated) Wholesale Residual (Unregulated)

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

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

The Primary Accounting Documentation comprises the following sections:

- Regulatory Accounting Principles – sets out the general rules by which the Separated Accounts are prepared.
- Market Definitions – provides full definitions of the market groups and individual markets included within the Separated Accounts;
- Attribution Methods – explains how revenue, costs (including transfer costs), assets and liabilities are attributed on a fully allocated basis to the Network Elements and Activities, within the markets, in line with the Regulatory Accounting Principles;
- Transfer Charges – explains how charges are raised from the Wholesale Markets to the Wholesale and Retail markets for their use of the network;
- Accounting Policies – details the accounting policies adopted in preparing the underlying financial information.

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

## 1.2 Eircom Limited Organisation Structure

Eircom Holdings (Ireland) Limited and its subsidiaries together (“the group” or “eircom Holdings (Ireland) Limited group” or “EHIL group”), provide fixed line and mobile telecommunications services in Ireland. Eircom Holdings (Ireland) Limited was incorporated on 23 April 2012. Eircom Holdings (Ireland) Limited directly holds 100% of the issued share capital of two principal subsidiaries: eircom Finco Sarl and Eircom Limited.

The principal trading activities of the group are undertaken by Eircom Limited and its subsidiaries. Eircom Limited is the incumbent telecommunications operator in the Republic of Ireland.

Eircom Limited is a unitary business, having one network with support functions, which delivers fixed line and mobile telecommunications services. It is currently organised into three customer facing business units: (1) Retail - Consumer and Small Business, (2) Retail - Business and (3) Open eir - Wholesale. The customer facing business units are supported by two internal divisions, consisting of (1) a Networks division and (2) a Support division. Within Networks, there is two separate units –open eir Networks and CTO Networks. While the Support function is split between IT and Central Services. This integrated organisation structure comprises the statutory entity Eircom Limited which delivers both fixed line and mobile services. Several additional services are supplied by Eircom Limited subsidiary companies, which maintain separate accounting records.

Eircom Limited's Wholesale Business trades as 'open eir' while Retail Consumer and Small Business trades under the 'eir' brand. Retail Business division including Evros trades under the brand 'eir evo'. Eircom Limited and its subsidiaries are known as eir group.

eir Group has 50.01% controlling interest in its subsidiary, Fibre Networks Ireland Limited ("FNI") incorporated with InfraVia Capital Partners which is a leading independent private equity firm specialising in infrastructure and technology investments. FNI was formed in financial year 2022 to accelerate the roll-out of ultrafast fibre-to-the-home broadband across Ireland

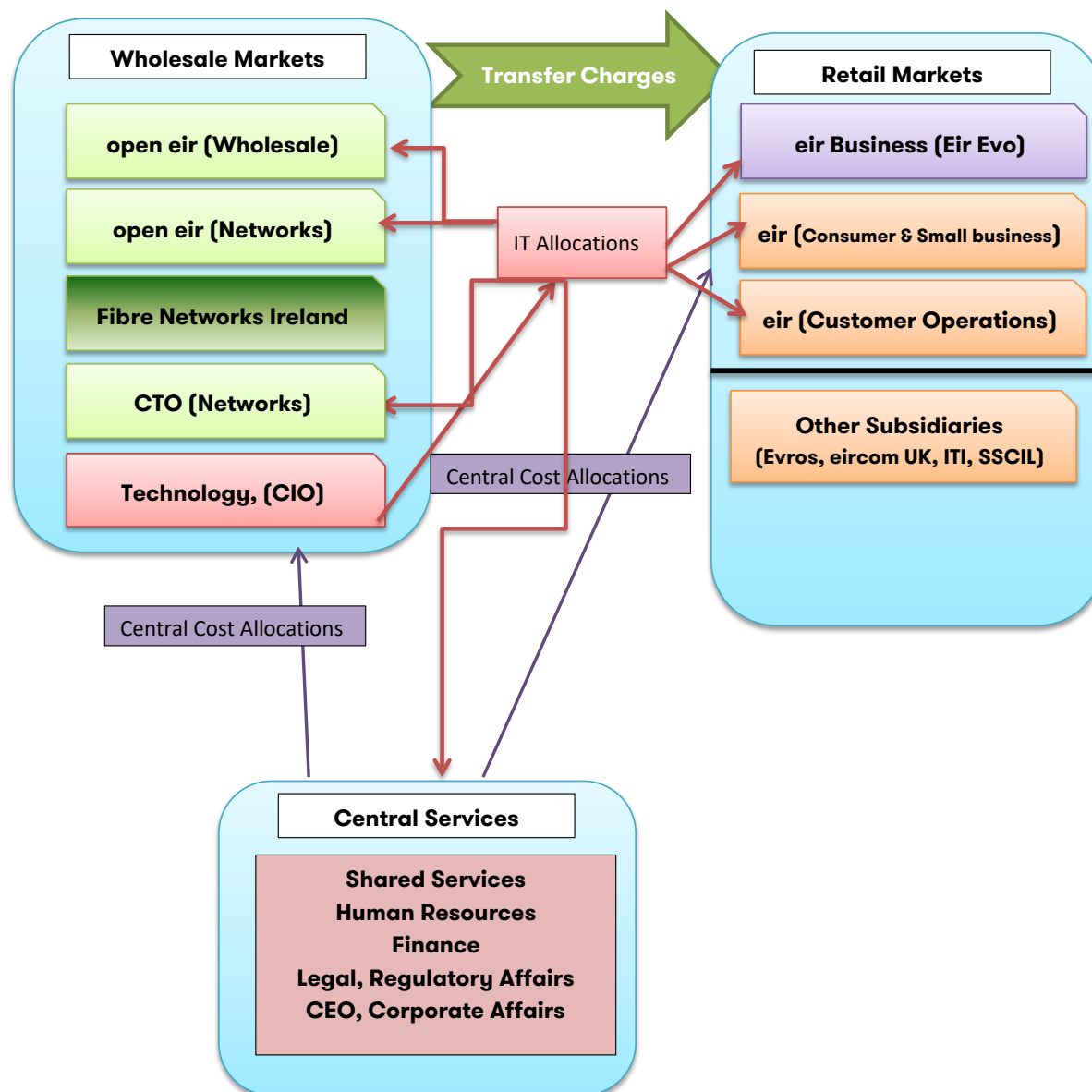
Eircom Limited has been designated with SMP in several markets. Eircom Limited includes its subsidiaries, i.e. undertakings which it controls. FNI is a subsidiary of Eircom Limited. Therefore, Eircom Limited's accounting separation and cost accounting obligations have also been applied to FNI and therefore the activities of FNI are also incorporated in these Separated Accounts.

The Wholesale business unit and the Access Networks division share the 'open eir' brand. open eir sells telecommunications services to Other Authorised Operators ("OAOs") and transacts internally with eir Retail. open eir revenues, costs and mean capital employed are attributed to the Wholesale markets. The Accounts classify open eir as 'External' from OAOs, 'Internal – Intra' from eir Retail and downstream wholesale business, and 'Internal – Inter' from Subsidiaries.

The CTO and open eir Networks divisions are responsible for maintaining the core switching, data, mobile and transmission networks, providing and maintaining customer connections to this Network. The IT division is responsible for developing and operating the eir group IT systems and infrastructure. Network costs are attributed to the relevant Wholesale markets and IT systems costs are attributed across the Wholesale, Networks, Retail and Central Services divisions. Following the process of liquidation of Meteor Mobile Communications Limited and the acquisition of all its assets and assumption of liabilities by Eircom Ltd , all mobile related revenue, costs and mean capital are mapped to a mobile segment within the Retail Business.

Other Subsidiaries maintain their own accounting records and their results have been included within Other Markets - Retail market group in the reconciliations Notes 3 and 4.

### 1.3 Overlay of the Regulatory Framework on the Organisation Structure



### **1.3.1 open eir Wholesale Products and Services**

#### **Access Services**

Carrier Pre-Selection Single Billing through Wholesale Line Rental (“SB WLR”) allows OAOs to resell open eir’s access services (PSTN and ISDN, rental and connection) and to provide the customer with a single bill for access and call services. open eir is required to maintain and repair the access line, which remains connected to the switched network, and bill the OAO for the line. The OAO bills the end customer for its bundled service. This service is only available if the end customer has made a carrier pre-selection for all call types with the OAO. These services are sold without a broadband service therefore these are included in the “Wholesale Other Unregulated” market.

#### **Unbundled Local Loops**

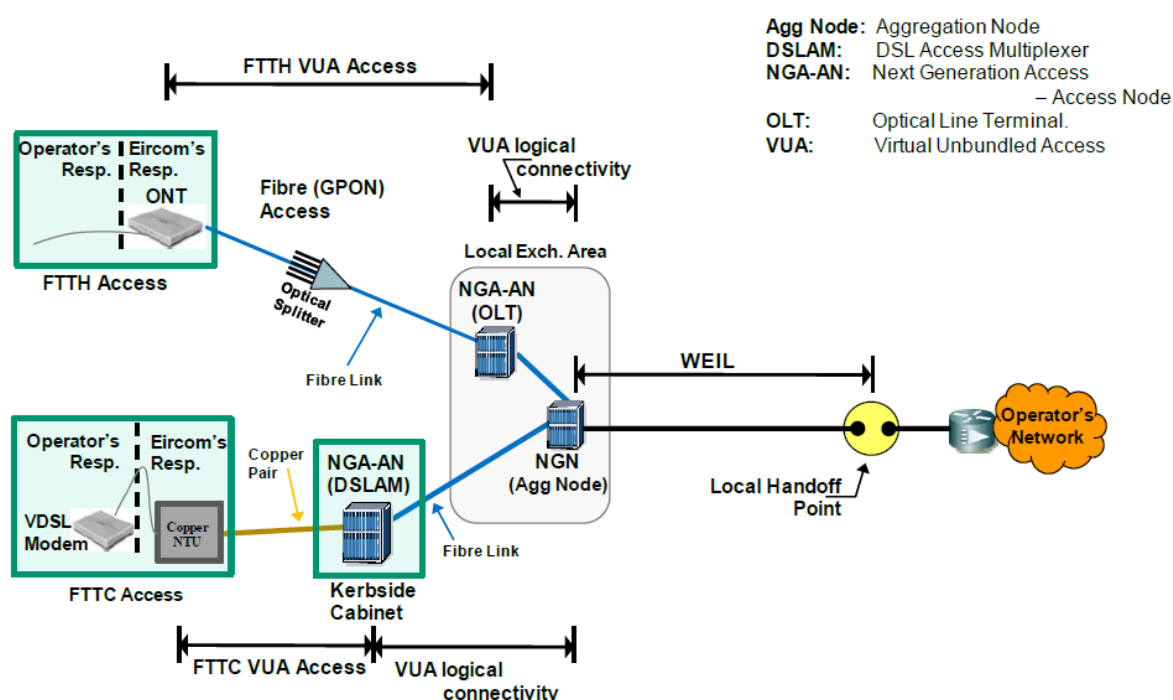
open eir is required to make the local access networks available to other telecommunications companies on a wholesale basis, i.e. share access to unbundled local loops. open eir is obliged to provide Local Loop Unbundling (LLU) access services to OAOs and to publish an Access Reference Offer (“ARO”),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



## Wholesale Local Access (WLA)- Next Generation Wholesale Local Access – NG WLA

### NGA VUA – FttC/EVDSL and FttH

The virtual unbundled access (VUA) product range consists of layer 2 Ethernet-only access products, giving the operator full control of network protocols and core transport solutions. Each VUA product provides an enhanced broadband access service, between the service termination/demarcation point at an end-consumer premises and a WEIL at an Operator's nominated handover point within the NGN Aggregation Node. All VUA products support traffic based Class of Service to allow time-critical applications, such as Voice over IP, be prioritised. Further flexibility is provided by including Multicast Support, for cost-effective distribution of TV and other broadcast services.

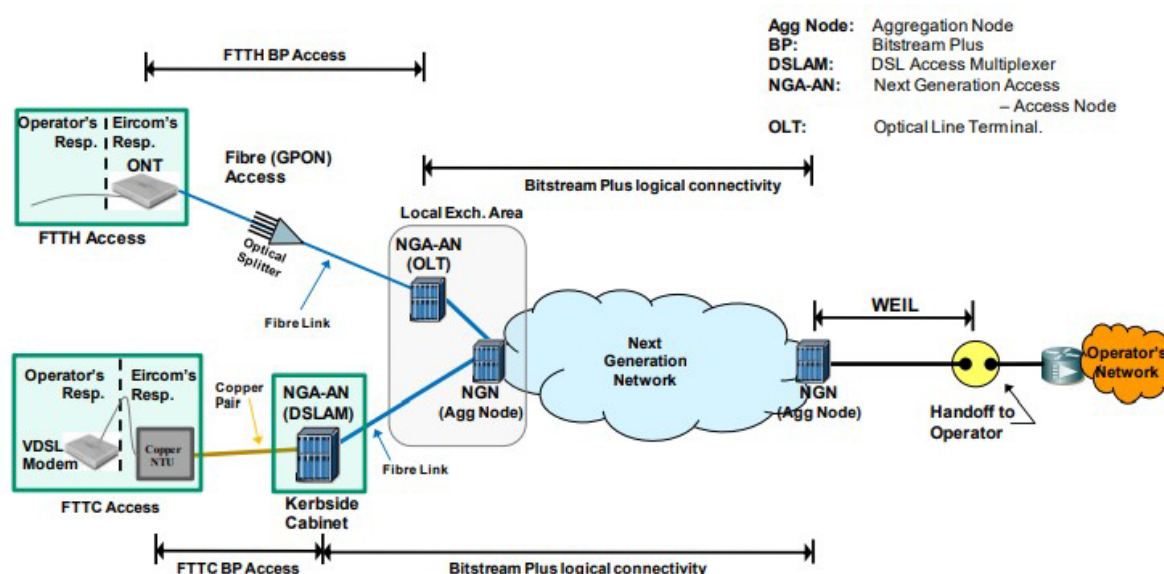


## Wholesale Residual (Unregulated) - Wholesale Central Access (WCA)

### Next Generation – Central Access (NG-WCA)

#### NGA Bitstream Plus – Fibre to the Cabinet (FttC/EVDSL) and Fibre to the Home (FttH) (NGA)

The open eir NGA Bitstream Plus product range consist of Layer 2 Ethernet-only access products, giving the Operator full control of network protocols. Each NGA Bitstream Plus Product provides an enhanced broadband access service, between the service termination/ demarcation point at an end-consumer premises and WEIL, at an Operator’s nominated handover point within the NGN Aggregation Node. All Bitstream Plus products support traffic-based Class of Service to allow time-critical applications, such as Voice over IP, be prioritised. Further flexibility is provided by including Multicast Support, for cost-effective distribution of TV and other broadcast services.



## Wholesale Residual (Unregulated) - Current Generation – Wholesale Central Access

### ADSL Bitstream (including Bitstream IP and Bitstream MB) (CGA)

Bitstream is a broadband access product that open eir offers to OAOs. It consists of an access link to the customer’s premises, which is created by installing Asymmetrical Digital Subscriber Line (“ADSL”) equipment and configuring the Local Access network. open eir is required under relevant regulations to provide ADSL Bitstream access to OAOs and to publish a Bitstream Access Reference Offer (“BARO”) describing the ADSL Bitstream services it offers. open eir currently offer a variety of speeds and levels of contention. Alternatively, and where available, OAOs may purchase a “per port” customer line Bitstream product and also a backhauling Bitstream product from the open eir local exchange to an OAO handover point. These services effectively offer open eir customers, wholesale products which are equivalent to eir Retail’s ADSL Broadband offerings.

## **Wholesale High Quality Access (WHQA)**

### **Wholesale Leased Lines and Partial Private Circuits**

open eir provides OAOs with Wholesale Ethernet (including WEILS) and Wholesale Leased Line services, including Partial Private Circuits ("PPCs"), as set out in the Leased Line Reference Offer for regulated areas and in the CISPL for unregulated areas. These services are included in the Wholesale High Quality Access market.

### **Interconnection Services**

open eir provides interconnection services to OAOs in Ireland and to international operators for incoming international calls. Interconnection services include both the physical link of open eir's telecommunications network with that of OAOs, and the traffic that passes over the link. Voice traffic can interconnect by using the traditional switched network or by using the IP network (VIX via WEIL) for Call Origination and Call Termination services.

ComReg has designated Eircom Limited as having SMP in the Call Termination market, and therefore open eir is obliged under the relevant regulations to provide interconnection services to other domestic authorised operators and to publish a Reference Interconnect Offer (RIO).

These services are split across a number of markets. Domestic traffic charges for call termination are regulated and included in 'Wholesale Other Regulated' market. Call origination and call transit are unregulated and included in 'Wholesale Other Unregulated' market. Interconnect Links Charges, Access to Call Services as well as Number Portability services (GNP and NGNP) are regulated and are included in the 'Wholesale Other Regulated' market. International traffic charges are not regulated and are included in the 'Wholesale Other Unregulated' market.

### **Other Wholesale Services**

open eir also provides a number of other unregulated services, including:

- White Label Voice (WLV) and White Label Broadband (WLB) including both CGA and NGA services;
- In Home services;
- International services including International Access, In-payments and International Leased Lines;
- Wholesale Managed services;
- Other miscellaneous services including unregulated infrastructure access;
- Signalling Connection Control Port (SCCP) services; and
- Repayable Works Orders (RWO) and chargeable CPE work.

## **1.4 Eircom Limited and Subsidiaries Accounting Records**

Eircom Limited and its subsidiaries record transactions in their accounting records in accordance with statutory and legal requirements and International Financial Reporting Standards (“IFRS”) as adopted by the European Union. Detailed data is maintained in respect of the manner in which transactions have arisen. Assets, Liabilities, Income and Costs are recorded by type.

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

For those cost types of an indirect nature, costs are booked to non-appropriated codes on a cost centre basis. These costs are then mapped to Summary Resource Type (“SRT”) expenditure headings (refer to section 3.4.1). These expenditure headings are allocated into seven business processes, six support processes and one strategic process.

## **1.5 Basis of preparation of Separated Accounts**

The financial information for the year ended 31 December 2024 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 Eircom Limited is organised and hence the way the statutory accounting records are structured. The Separated Accounts are therefore produced by overlaying the requirements of the Decision Notices on the statutory accounting record structure of Eircom Limited.

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

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

Residual costs, for which no direct or indirect method of apportionment can be identified, are allocated using an equal proportionate mark-up method. Details of this process are provided in section 3.

## 1.6 Regulatory Accounting Principles

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

- **Priority:** within the Regulatory Accounting Principles, insofar as there is conflict between the requirements of any or all of these Principles, the Principles are applied in the same order of priority in which they appear in this document.
- **Definition:** Any word or expression used in the Accounting Documentation shall, unless the context otherwise requires, have the same meaning as it has in ComReg Decision Notices and in Eircom Limited's Telecommunications Authorisation.
- **Causality:** Revenue (including transfer charges), costs (including transfer charges), assets and liabilities shall be attributed to cost components, services and markets in accordance with the activities which cause the revenues to be earned or costs to be incurred or the assets to be acquired or liabilities to be incurred.

Where it is not possible to attribute revenues, costs, assets and liabilities in accordance with the preceding paragraph:

- The attribution shall be such as to fairly presents the revenues, costs, assets and liabilities accounted for in the Separated Accounts for each market where Eircom Limited has a regulatory financial obligation; and
- To present fairly a comparison between the markets as disaggregated.
- **Objectivity:** The attribution shall be objective and not intended to benefit the SMP operator or any other operator, product, service, component or market.
- **Consistency:** There shall be consistency of treatment from period to period. Where there are material changes to the Regulatory Accounting Principles, the attribution Methods, or the Accounting Policies that have a material effect on the information reported in the markets within the Separated Accounts, the parts of the previous year's Accounts impacted by the changes shall be restated.
- **Transparency:** The Attribution Methods used shall be transparent. Costs and revenues, which are allocated to markets, shall be separately distinguished from those that are apportioned.

In certain circumstances, it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the Separated Accounts. However in these circumstances Management would confer with ComReg in advance of departing from the requirements of the framework.

## 2 Definitions of the Wholesale Markets

eir has been found to have SMP in the following markets:

EU Regulatory Framework		
No.	Market	Decision instrument
1	Wholesale Local Access	Decision D05/24 (ComReg 24/07) Market Reviews Wholesale Local Access (WLA) provided at a fixed location Wholesale Central Access (WCA) provided at a fixed location for mass-market products Response to Consultation and Final Decision. ComReg D05/24 considered that the Commercial NG WLA Market is not effectively competitive and designates Eircom as having SMP in the Commercial NG WLA Market. The Decision deregulates the CG WLA Market and the IA NG WLA Market.
2	Wholesale High Quality Access (Market 4 / 2014)	Decision D03/20 (ComReg 20/06) - SMP Operator eir. Defines national market for Traditional Interface (TI) – TDM based Partial Private Circuits up to 2Mb/s. Defines market for Modern Interface (MI) – Wired Ethernet, WDM ‘and other modern interfaces’. MI market defined geographically. The decision considers that eir has SMP in Zone B. Zone A is de-regulated. List of exchanges published to define trunk segments.
3	Wholesale Physical Access	D03/24 (ComReg 24/05) Designated Eircom as having SMP in the Wholesale Physical Infrastructure Access Market and has applied obligations of Access, non-discrimination, transparency, price control and accounting separation on Eircom.

## **2.1 Wholesale Access**

The Wholesale Access market group consists of the provision of Physical Infrastructure Access, Next Generation Local Access and Wholesale High Quality Access.

“Physical Infrastructure Access (PIA) Market Review – Response to Consultation and Decision” (ComReg 24/05, Decision D03/24) was issued on 18 January 2024. Eircom has been unable to implement the PIA decision in the HCA separated accounts for the financial year ended 31 December 2024. Eircom continues to engage in active discussions regarding implementing the changes into the HCA systems and records in accordance with the decision.

For the financial year ended 31 December 2024, the Wholesale Physical Infrastructure Access (PIA) statements will reflect infrastructure elements—namely ducts, poles, and sub-ducts—that are utilised by third-party users.

Next Generation Wholesale Local Access consists of the provision of VUA connections to the open air network both internally to air Retail and externally to OAOs. The accounts for the Wholesale Local Access market group include the costs and capital employed associated with providing and maintaining these connections. The Wholesale Access market group includes all the customer-dedicated components of the network including, for example, the line cards and ports located at cabinets and/or exchanges.

In respect of Leased Lines, this market group includes all costs and capital employed associated with the end-to-end wholesale provision of these services.

The revenue from providing services on a Wholesale basis to OAOs is included in the Wholesale Access and Wholesale Other market groups.

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

### **Wholesale Physical Access**

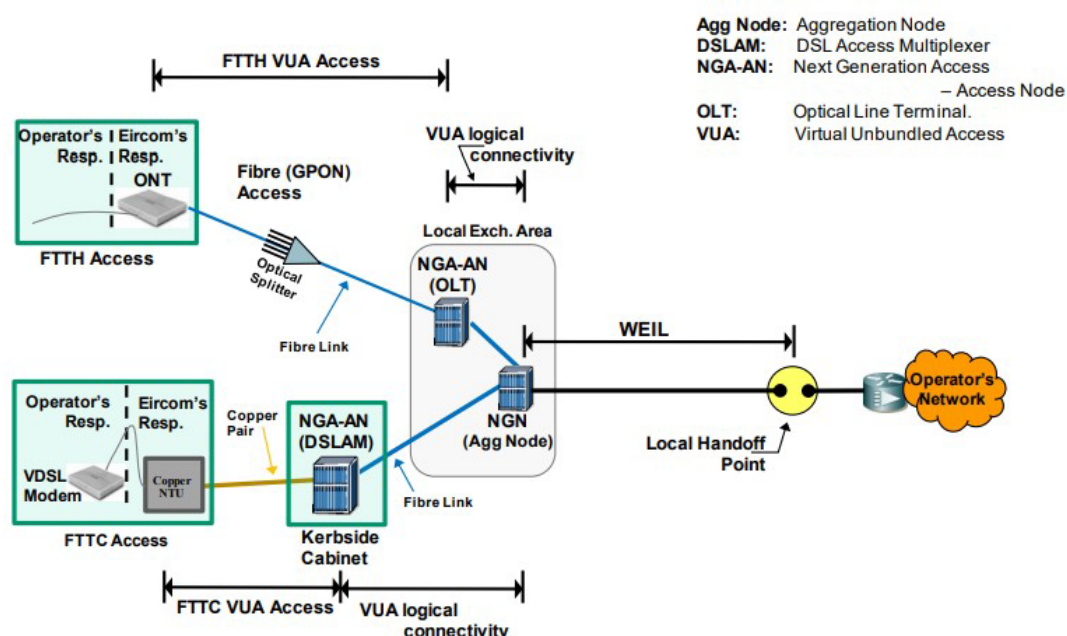
In the D03/24 Market Decision ComReg has defined a national market consisting of telecoms specific Physical Infrastructure (‘PI’) – namely the ducts, poles, sub-ducts and associated facilities such as chambers – that are capable of housing wired Electronic Communications Networks (‘ECN(s)’). Such PI is used to support the provision of both wholesale and retail Electronic Communications Services (‘ECS(s)’ to residential and business users.

## Next Generation Wholesale Local Access

WLA relates to the connection/access path between the local serving exchange/access node and the end user's premises, with this connection being either provided by an SP itself or purchased/rented from another SP. In buying WLA services, an SP must arrange its own provision of the backhaul elements between its network and the local exchange/node that serves the end user's premises.

The Access Path connects the Network Termination Unit ('NTU') or Optical Network Terminal ('ONT') in the end user's premises to the Point of Handover ('PoH'). The PoH for WLA is typically the Main Distribution Frame ('MDF') (for copper) and the Optical Distribution Frame ('ODF') (for fibre) in the exchange/MPoP. The PoH for VUA is the Wholesale Ethernet Interconnect Link ('WEIL') at the serving Aggregation Node within local serving exchange.

ComReg has defined the boundaries of this market as follows:



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

## Wholesale High Quality Access

Detail of broad wholesale high quality access product markets is as under:

1. **TI WHQA market** consisting of Analogue and Digital LLs along with PPCs carried over a TDM interface. There are two TI WHQA product markets as follows:
  - a. LB TI WHQA Market consisting of analogue, digital and TDM wholesale LLs with bandwidths  $\leq 2\text{Mb/s}$ ; and
  - b. HB TI WHQA Market consisting of TDM wholesale LLs with bandwidths  $> 2\text{Mb/s}$ .



2. **MI WHQA Markets** consisting of wholesale LLs provided over Ethernet and other modern interfaces such as xWDM.

The above TI WHQA Markets and MI WHQA Markets (together the 'Relevant WHQA Markets') further disaggregated between different types of media used to provide WHQA LLs, whereby WHQA LLs provided over wireless P2P radio links do not form part of the relevant markets, whereas wired media form part of the same relevant markets.

ComReg Decision D03/20 dated 24 January 2020 categorised the markets based on Work Place Zones (WPZs) as defined by Central Statistics Office with geographic areas falling in Zone A and Zone B. Eircom has SMP in Zone B WHQA Market. Therefore, only Zone B is subject to Accounting Separation, Price Control and Cost Accounting obligations.

## **2.2 Wholesale Other**

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

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

Within this market group the following individual markets are defined:

### **Wholesale Residual (Regulated)**

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

- Interconnect Links (including VIX via WEIL) and rentals;
- Access to Call Services, such as Directory Enquiries and Premium Rate Services; and
- SB WLR Ancillary Services (including; voicemail: call barring; call diversion services etc.) and Low Value CPE;
- External provision of physical infrastructure access such as LLU and Line Share to OAOs;
- Wholesale Call Termination- This consists of the provision of call termination services both to OAOs and eir's Retail Other market. ComReg has defined the boundaries of this market as follows in "Market Analysis – Interconnection Market Review of Wholesale Call Origination and Transit Services (07/51)": "Termination services provide primary switching / routing functionality at the terminating end of a call. The primary switching / routing stage is the final point in the network where call routing is done on a call-by-call basis. It incorporates carriage

from the end of the previous stage in the call routing (either call origination or transit), though the primary switching / routing stage (including, where appropriate, traffic concentration and / or non-call-by-call routing subsequent to the primary switching / routing stage), to the end user's local loop, including the subscriber's line card or equivalent, in its entirety."

open eir's RIO includes a number of products that utilises call termination including:

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

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

### **Wholesale Residual (Unregulated)**

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

- CG and NG Wholesale Central Access, CG Wholesale Local Access
  - This market consists of the provision of Wholesale Bitstream Services to OAOs and to eir Retail. These services include ADSL-based Bitstream IP and Bitstream Managed Backhaul ("MB") both defined as Current Generation Access (CGA); VDSL cabinet-based and exchange based FttC and Optical Line Terminal ("OLT") based FttH NGA Bitstream Plus defined as Next generation Access (NGA).
  - These markets are no longer subject to Accounting Separation, Price Control and Cost Accounting obligations and is therefore included in the Wholesale Other Unregulated Market.
- Fixed Narrowband Access– This market consists of the provision of standalone PSTN and ISDN Single Billing Wholesale Line rental and connections (SB WLR) services, both externally to OAOs and internally to the PSTN and ISDN Retail Access market and downstream Wholesale White Label Service included in Wholesale Residual Unregulated market;
- White Label Services – including voice services to facilitate OAO "Switchless" operation, and broadband without the requirement for OAO backhaul services;
- International Services including International Access, International In-payments and International Leased Lines;
- Managed Services sold to OAOs; Other miscellaneous services including unregulated infrastructure access in home services;
- Network Services provided to eir Retail for which there is no open eir wholesale equivalent and is therefore priced on a Cost plus (Cost of Capital) basis;
- Wholesale Call Origination– This market consists of the provision of call origination services both to OAOs; White Label and eir's Retail Other market. ComReg has defined the boundaries of this market as follows in "Market Review Wholesale Fixed Voice Call Origination and Transit Markets (D05/15)": "Fixed Voice Call Origination ('FVCO'), being calls originated at a fixed location of an end-user which are conveyed and routed through any switching stages (or equivalent) up to a point of interconnection taking place at the primary, tandem, or double-tandem exchange of 'code hosting / sharing' under current industry call routing rules). FVCO

does not distinguish between the types of telephone numbers being called.” open eir’s RIO includes a number of products that utilise call origination, including:

- Primary Call Origination;
  - Single Tandem Call Origination; and
  - Double Tandem Call Origination
- Wholesale Call Transit– This market consists of the provision of call transit services both to OAOs and eir’s Retail Other market, including international incoming calls to OAOs, as discussed in the “Market Review Wholesale Fixed Voice Call Origination (FVCO) and Transit Markets (D05/15)”:
    - “ComReg’s position is that all the Transit Market is national in its geographic scope and includes:
      - All elements of call routing that takes place between FVCO and FVCT, including switching and conveyance;
      - Calls to geographic, non-geographic and mobile numbers;
      - Both trunk and pure Transit provided over copper and / or fibre networks (i.e. irrespective of the underlying infrastructure employed);
      - Eircom’s self-supply, as well as its supply in the wholesale market;
      - Self-supply and wholesale supply of other Transit service providers that are active in the provision of wholesale transit services.”

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

open eir’s RIO includes a number of products that utilise call transit services including Single Tandem Call Origination; Double Tandem Call Origination; Single Tandem Call Termination; and Double Tandem Call Termination.

## **3 Attribution Methods**

### **3.1 Introduction**

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

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

The main purpose of accounting separation is to allocate costs into individual regulated markets and to inform cost based charges.

The fundamental approach to attribution is the principle of causality. Unless expressly required to be excluded for regulatory purposes, income, cost and capital employed recorded in the Eircom Limited Financial Statements are attributed to the activities and network elements which make up the separate markets defined under Accounting Separation.

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

### **3.2 Attribution Methodologies**

#### **3.2.1 Overview**

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

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

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

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

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

### **3.2.2 Revenue**

With the exception of certain Wholesale Call Conveyance products revenue is predominately allocated directly to individual markets. However another factor to be considered in the attribution of billed revenue to markets is the impact of decision notices (e.g. D11/18). See section 3.3 for further details.

### **3.2.3 Costs**

Costs are drawn from eir's primary accounting records, e.g. the general ledger. The methodologies applied to the costs, which vary according to the nature of the costs and the way in which they are recorded, are set out below.

#### **3.2.3.1 Direct and directly attributable costs**

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

#### **3.2.3.2 Indirectly attributable costs**

Other costs cannot be directly associated with particular market groups, markets and network elements, and require indirect apportionment. These costs include general costs of eir's business units, which service various market groups, markets or network elements, and are recorded on a cost basis using the activity-based costing process outlined in section 3.4 below, where a specific apportionment base can be identified and measured.

The above cost type will also include other costs, such as costs of core or local access transmission equipment, which are used to provide a number of network services. These costs are grouped and then apportioned to network elements using network statistics, surveys or other methods of analysis (see section 3.6).

#### **3.2.3.3 Unattributable costs**

As stated above, eir utilises, wherever possible, objective data relating to cost drivers. There is, however, some expenditure for which no specific apportionment bases can be readily derived.

These costs mainly represent central corporate overheads, such as the costs of central accounting and human resource functions. These costs are apportioned to market groups, markets or network elements using the equal proportionate mark-up method, i.e. any individual market will receive a proportionate allocation of unattributable costs equal to its proportionate allocation of attributable costs.

#### **3.2.4 Mean Capital Employed**

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

- Total assets, excluding goodwill, intangible assets arising on acquisitions (with the exception of software assets and licenses), retirement benefit assets / liabilities and balances related to exceptional and non-relevant items excluded from the Separated Accounts; less
- Total liabilities, excluding current and deferred tax liabilities, dividends payable and borrowings except to the extent those borrowings relate specifically to the funding requirements of an individual business or project.

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

- Assets that can be directly allocated to market groups, markets and network elements, for example, optical line terminal, which are directly attributable to the NGA network element;
- Assets relating to a market range and / or network elements which are apportioned on the basis of cost drivers, for example, exchange line termination equipment asset classes, which provide both concentrating and switching functions and are thus apportioned to various switching network elements and markets; and
- Assets of a general nature, for example, general mainframe computers or motor transport, where an appropriate apportionment based, derived from the attribution of the operating costs of that element, is applied.

For current assets and liabilities:

- Those elements that can be directly attributed to market (specific debtors, creditors and inventories), are directly allocated; and
- For the remainder, appropriate apportionment bases are derived for each element.

#### **3.2.5 Non-Financial Data**

Wherever costs cannot be directly allocated to activities and appropriation codes, or where appropriation codes do not map exactly to network elements and markets, and apportionment is required. Depending on the cost involved the appropriate basis of apportionment may be of a non-financial nature. In these instances, the relevant data may be extracted from non-financial data sources, such as operational systems recording core transmission and usage, or may be collected through activity analysis.

### **3.2.6 Sampling**

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

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

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

### **3.2.7 Summary**

Revenue, costs and capital employed are attributed by allocation and apportionment, either directly to activities or network elements or markets, or via a series of steps of indirect allocation through analysis of Appropriation Codes or the activity-based costing process, or through the apportionment of unattributable overheads.

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

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

### **3.3 Revenue**

#### **3.3.1 Overview**

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

#### **3.3.2 Discounts**

Discounts in respect of retail multi-product bundles are allocated between the fixed and mobile lines of business for statutory accounting purposes. Fixed line discounts are then generally matched to the relevant product revenue streams resulting in the (net) external revenue line disclosed in the Separated Accounts.

#### **3.3.3 Wholesale Access Market Group**

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

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

#### **3.3.4 Wholesale Other Market Group**

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

Following the implementation of D05/24 and the deregulation of narrowband access Wholesale Central Access (NGA Bitstream, CG WLA and CG WCA) are included in the Wholesale unregulated other market. Note that the Retail Business and White Label Markets are charged for a VUA service from the WLA Market with usage charges being the only charges raised from WCA to downstream markets. Where a POTS WLA service is provided the revenues and costs associated with the copper loop are included in the WLA market.



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

### **3.4 Costs**

As noted above, non-appropriated costs are allocated using an activity-based costing methodology. This consists of a two-stage process comprising apportionment of non-apportioned costs to defined activity-based costing activities and a mapping of these activities to network elements and then to market groups, markets, products and services.

#### **3.4.1 Apportionment to Activity-based Costing Activities**

The non-appropriated cost information is held by cost centre and cost type. The cost types are compiled from general ledger account codes from the accounting records. The cost types are mapped to expenditure headings, also known as Summary Resource Types (“SRTs”). Each SRT is an amalgamation of similar cost types that have the same cost driver, for example, the pay costs SRTs are made up of basic pay, bonuses, payroll subsistence, employers’ PRSI, pension and relevant contract staff costs. The cost driver for these costs is an analysis of employees’ time spent, based on the operational information with suitable apportionment bases being determined for all SRTs.

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

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

Each process is broken into a 3 level hierarchy:

- Level 1 – the process itself;
- Level 2 – the sub processes; and
- Level 3 – the activity dimension.

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

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

#### **3.4.1.1 Business Processes**

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

- A. Innovation, Product Development and Management – activities involved in developing and delivering a fully managed set of products and services to customers;
- B. Marketing and Sales – this involves the sales and marketing and account management of all eir products and services;
- C. Provisioning – this covers all aspects of the supply of eir products and services to the customer;
- D. Billing – this covers all aspects of call management, customer billing, cash collection, bad debt and credit management;
- E. Repair – this covers the resolution of service difficulties reported by the customer and covers the full range of products of eir;
- F. Operator Services – this provides operator assisted services to customers; and
- G. Manage the Network – this covers all activities involved in managing the network.

#### **3.4.1.2 Support Processes**

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

- A. People – involves all aspects of the human resource function;
- B. Finance – involves all activities within the finance function;
- C. IT Support – includes all activities within the IT function, including system design, implementation and support;
- D. Corporate Communications – involves strategic policy development and branding;
- E. Corporate Services – involves various activities, including security and risk management, regulatory management, and strategic business planning; and
- F. Procurement – involves the acquisition, management and maintenance of physical resources to be used by the Company's activities.

#### **3.4.1.3 Manage the Business Process**

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

#### **3.4.1.4 Mapping of Activity-based Costing Activities to Market Groups, Markets and Network Elements**

A further apportionment process is required to produce final allocations as the activity-based costing activities do not always directly map to the Network Elements or markets defined under Accounting Separation.

This apportionment can take any of the following forms:

- An activity may be wholly attributable to a market group, markets and network elements regardless of the node in which the costs reside;
- Some activities may be attributed to different market groups, markets and network elements depending upon the node in which the cost falls. For example, accommodation management activity is attributed in different proportions to market groups, markets and network elements depending on the nature of the node in which the activity has been identified; and
- Some activities may not be wholly attributable to a single market group, market or network element. In this case, an appropriate apportionment base has been created to apportion the costs within the activity-based costing activity to market groups, markets and network elements. For example, the activities under the billing process have been apportioned to activities and network elements by identifying the cost driver to each activity.

## **3.5 Mean Capital Employed**

### **3.5.1 Overview**

The definition of Mean Capital Employed (MCE) for Accounting Separation purposes is contained in section 3.2.4. The apportionment of Mean Capital Employed follows a similarly detailed and careful approach to that for operating costs. For some items, such as trade debtors, turnover is the appropriate driver, rather than costs where balances cannot be specifically attributed to markets. Where reference is made to processes described elsewhere in the document, full details of these processes are not repeated here.

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

### **3.5.2 Property, Plant and Equipment**

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

- Local Access Network copper and fibre cable;
- Duct and Poles;
- Broadband plant;
- Exchange Switching plant; and
- Transmission plant including NGN.

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

### **3.5.3 Right of use assets and lease liabilities**

Right of use assets/lease liabilities are apportioned across network elements and then market groups and markets using bases which replicate the total apportionment to services of the costs of the operations supported by the assets concerned.

### **3.5.4 Inventories**

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

### **3.5.5 Trade and Other Receivables**

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

- Wholesale debtors and related accrued income and deferred revenue are initially allocated to the Carrier Billing network element and then allocated to portfolio and then finally attributed to products on an individual basis or where applicable on the basis of relevant turnover;
- Retail trade debtors are directly allocated to markets based on relevant turnover, or where applicable directly to a market;
- Retail prepaid and accrued income is directly allocated to markets based on relevant turnover, or where applicable directly to a market; and
- Other debtors and prepayments are apportioned to markets and network elements using bases appropriate to the particular debtor type, or where applicable directly to a market.

### **3.5.6 Cash at bank and in hand**

Eircom Limited cash and bank balances are apportioned to markets and network elements, on the basis of relevant operating and capital expenditure in the accounting period.

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

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

### **3.5.7 Loans and other borrowings falling due within one year**

This category includes current portion of loans and borrowing, which are apportioned based on operating and capital expenditure in the accounting period.

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

### **3.5.8 Creditors**

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

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

### **3.5.9 Provisions**

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

## **3.6 Apportionment of Network Costs**

### **3.6.1 Overview**

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

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

### **3.6.2 Switching exchange equipment**

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

In certain cases for example Line Cards, ComReg has directed open eir to make certain adjustments to the engineering studies. open eir has been directed to treat line cards as 100% line sensitive (see section 3.7.4). The apportionment approach identifies the allocation of total exchange costs between the Line sensitive network elements and Call and Traffic sensitive network elements. The specific equipment affected by this study is exchange line terminations, trunk terminations, core hardware, operating software and application software. This includes Multi-Service Access Node (MSAN), Media Gateway Controller (MGC) and Media Gateway (MGW) equipment recently introduced in the network.

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

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

### **3.6.3 IP Multimedia Subsystem Switching**

The usage of IP Multimedia Subsystem (“IMS”) switching equipment is currently limited to VoIP and VOB fixed line services; and Home Location Register and WiFi Calling in mobile services. The costs and associated capital charge on the IMS platform are allocated to the Wholesale Residual (Unregulated) Other market. A cost based transfer charge is used to transfer these costs to Retail Residual.



#### **3.6.4 Transmission**

The 'transmission network' provides the following type of links:

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

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

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

Costs are segregated into those driven by the number of links (for example, multiplexing equipment) and those driven by the total weighted length of the link (for example, cable) based on the equipment type.

MSAN based line card connections have largely been rolled out throughout the network, accompanied by MGW and MGC switching functionality. NGN (IP) transmission is required between these various pieces of equipment. The related cost of the NGN network is largely due to the access port costs associated with this new equipment.

#### **3.6.5 Optical Circuits and Systems**

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

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

#### **3.6.6 Underground Access cables**

The underground access cables provide physical connectivity between the exchange and the cabinet and from the cabinet to the last distribution point. These cables are separately recorded in the fixed asset register as underground copper and fibre cables. Underground access copper cables are used to carry local access services such as PSTN, ISDN and DSL as well as services such as private circuits (i.e. Leased local lines and PPCs) that require dedicated paths. The main cost driver are (i), the number of cable pairs (for copper) and (ii) the average length of the lines per service.

In previous years, no copper costs were allocated to line share in order to comply with ComReg Direction (D04/09), dated August 2009. E.g. only stand-alone broadband products received an allocation of copper costs. All broadband products using the copper access network are now allocated copper costs.

Length related copper costs are allocated across appropriate products based on both the effective number of copper pairs and by the average length of copper access lines used by the product. Other copper costs, i.e. copper repair and non-length copper costs are apportioned on the effective number of copper pairs only, with special attention paid to line providing the FTTC & POTS service.

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

### **3.6.7 Duct**

The duct network provides physical underground paths as listed in the “Transmission” section. These path types are recorded in the Fixed Asset Register as underground civil works and plant. The network is used both to carry access services such as PSTN and ISDN line rental as well as services such as private circuits that require dedicated paths. It is also used to carry conveyance transmission links. Additionally, it supports duct access provided to OAO’s. The primary cost driver for duct is total duct kilometres. As with previous years, in the context of VDSL-NGA (which may share only D Side Infrastructure and have a separate, broadband specific fibre cable from MDF to cabinet) and standalone broadband (both legacy and NGA Standalone Broadband (“SABB”) utilise full paths) duct cost allocations to Wholesale Broadband Access do occur.

The Duct cost involved in Duct Access product is calculated based on the length of Duct shared with OAOs. The drivers applied are trench length and the number of cables present in a trench.

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

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

### **3.6.8 Sub-Duct**

Sub-Duct only supports fibre cables, it can only be apportioned to fibre delivered products.

However, a portion of the sub-duct cost related to Duct access must firstly be identified.

The remainder of sub-duct cost follows the apportionment approach of the eir fibre that it carries.

### **3.6.9 Overhead plant**

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

Similar to Duct Access, the Pole Access cost relating to Pole Access is isolated from Overhead plant cost thereby allowing the overhead plant allocation to continue as heretofore and the driver for Pole Access cost is based on the number of pole equivalents in use by OAOs.

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

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

The Pole access cost calculation is supplemented by a database of Pole usage by OAOs.

### **3.6.10 Next Generation Network (NGN) Costs**

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

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

Open eir’s NGN network was designed to carry capacity based services over thirteen regions or domains and similarly the cost model used allocates to the services supported on the network such as Wholesale Ethernet, Broadband (including multicast and VUA services) and Leased Lines.

Costs and allocations come from Aggregation, PE/Distribution and Core routers separately. These costs are allocated separately to services based on the relative demand direct bandwidth capacity measured at the initial service port; the length of core network (including length beyond the aggregation nodes, e.g. from Extended Reach APT nodes) over which the particular service is carried. The inclusion of quality of service (“QOS”) as a metric influencing cost allocation reflects

the fact that a higher guaranteed QOS places a higher demand on network resources when delivering the service.

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

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

### **3.6.11 Next Generation Access Costs (NGA)**

All costs associated with NGA are captured on a specific NGA network element which is allocated to the NGA services within the Wholesale Local Access Market. The main NGA costs include the following:

- VDSL – cabinet based (FTTC) and exchange-based (eVDSL);
- Underground and Overhead NGA fibre;
- FTTH OLT (GPON);
- Apportionment of Duct and Sub-duct;
- Apportionment of Poles; and
- Related power, support and maintenance, and network management.

### **3.6.12 Other appropriated costs**

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

## **3.7 Regulatory Decisions**

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

### **3.7.1 Relevant Costs**

Debtors and Creditors that would arise in respect of transfer charges have been excluded from the statements.

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

### **3.7.2 Asset lives, depreciation and amortisation**

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

### **3.7.3 Property, Plant and Equipment – Fair Value Adjustments**

Under the HCA approach transactions are recorded and reported at their initial transaction value. This means that the values of assets are recorded at their historical costs and then the diminution in the value of assets over the asset life is reflected by a depreciation charge to the profit and loss account. The carrying value in the balance sheet is represented by the Net Book Value (“NBV”) which is equal to the original cost of the asset less any accumulated depreciation. It is ComReg’s view that the revaluation of assets arising from the fair value adjustments (in respect of group re-organisation) should not be reflected in the Historical Cost Accounts.

On this basis, ComReg requires that eir continue to produce the Separated Accounts on a HCA basis. These adjustments are included in the Income Statement and Mean Capital Employed Reconciliation Statements.

### **3.7.4 Treatment of Line Card**

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

### **3.7.5 Route Factors**

Route factors have been calculated by open eir based on its network plan and actual traffic samples. Under D7/01 ComReg reserves the right to require amendments to these route factors where ComReg deems them not to represent ‘efficient operator’ route factors. The route factors have been updated to cater for Eircom’s all IP voice network following the rollout of MSAN technology to replace the legacy TDM switches. The MSAN rollout has largely completed in FY 2024 and it is the appropriate time to make the switch to an IP solution.

### **3.7.6 Recovery of Switching Costs**

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

### **3.7.7 Cost of Capital Employed (WACC)**

The applicable Rate of Return used in these Separated Accounts is 5.00% which is an average of two rates in operation during the year ended 31 December 2024.

## **3.8 Network Transfer Charges**

### **3.8.1 Overview**

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

### **3.8.2 Creation of the Wholesale Access markets accounts**

The composition of the Wholesale Access markets is outlined in Sections 1.1 and 2.1, and comprises Duct & Pole Access, VUA services and leased line services revenues.

The Wholesale Other Regulated and Unregulated markets contain Interconnect revenues, access to ancillary services and unregulated services as White Label Voice and WCA Broadband Services and repayable works orders. The revenues are from both OAO and the transfer charge income from the Retail and downstream Wholesale White Label Services markets and the cost and capital employed of all relevant elements.

### **3.8.3 Creation of the Retail markets account**

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

## 4 Transfer Charge

### 4.1 Background and Overview

Eircom Limited is required to prepare disaggregated Separated Accounts for its wholesale market groups. The Separated Accounts are required to be prepared on a historical cost basis using Transfer charges calculated in accordance with the following principles established by ComReg for inter/intra segment transactions:

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

Three distinct scenarios can be seen for the identification of the appropriate rate to charge for these transfer charges:

#### *Scenario 1:*

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

#### *Scenario 2:*

In many cases eir Retail consumes the same type of wholesale services as are publicly available to OAOs, but purchases these services in combinations that are not typically purchased by OAOs. In the context of higher speed leased line services, the direct wholesale equivalents used are Partial Private Circuit tariffs. For certain other data services such as Ethernet, the nearest equivalent network service has to be determined using certain assumptions due to differences between the basis of provision of the retail Ethernet service and the configuration of an equivalent wholesale service. In the Wholesale Voice area, OAOs tend to purchase distinct origination, transit and termination services, whereas eir retail consumes 'end-to-end' voice services which represent logical combinations of these services. In this context transfer charges

are based upon the application of a 'Nearest Equivalent Charge' approach. The nearest equivalent charge approach is based upon applying three broad conceptual steps:

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

### Scenario 3:

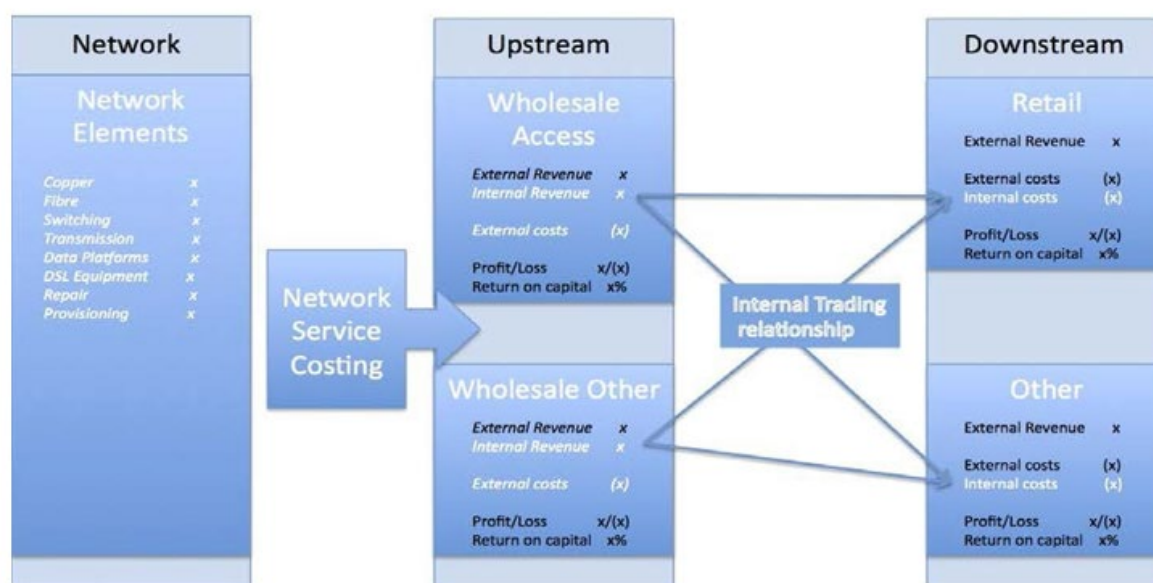
In a number of limited circumstances open eir provides services to eir Retail for which no comparable external equivalent exists. In these cases transfer charges are based up on a 'cost plus return on capital employed' basis. An example of this is the charge applied for the use of the BIP core network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

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

- Network costs – represented by a Network Activity Statement split into 'Network Elements';
- Wholesale results – represented by the Income Statements of the Wholesale markets; and

The impact of Eircom Limited's retail business on the wholesale markets is shown by way of an Income Statement Reconciliation and Balance Sheet reconciliation in a note to the Separated Accounts.

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





## **4.2 Transfer Charges from the Wholesale Access Markets**

### **4.2.1 Principle**

Charges to OAOs are based upon the prices in force in the market for the period in question. Transfer charges are based upon the derivation of internal consumption of services equivalent, or nearest equivalent, to those available to OAOs, and calculating transfer charges based upon the application of market prices to these derived volumes. As discussed above where non nearest equivalent charge exists, a cost-based transfer charge is used. Eircom Limited produces Separated Accounts containing transfer charges based upon these calculated transfer charges for the following services:

- Fixed Line Access – Transfer charges are based on a direct wholesale equivalent – wholesale offering standalone SB WLR for PSTN and ISDN services. For SB WLR lines bundled with Broadband there is an adjustment made based on the D11/18 decision notice to transfer a portion of the WLR revenue to the relevant broadband services and therefore align with the copper cost allocations.
- Wholesale Local Access - The NGA VUA service is only available in open eir NGA-enabled exchanges. VUA connection, rental and ancillary charges are applied to Retail Bitstream, White Label Bitstream and OAO Bitstream lines on a direct wholesale equivalent basis for the use of ports.
- Leased Lines – The construction of transfers to the Retail Leased Lines and Data Products represent a mix of approaches. In the case of Ethernet and Next Generation Services, the transfer uses the wholesale equivalent products known as Wholesale Symmetrical Ethernet Access (WSEA) or Wholesale Ethernet Interconnect Link (WEIL). Leased Line services are generally based on direct equivalents using wholesale leased line tariffs calculated on published open eir prices.

### **4.2.2 Volumes and usage data requirements**

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

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

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

Calculated network service charges, from the basis of the Wholesale Access market, transfer charges to the Retail markets. In addition to the direct transfer charges certain access services are utilised by Retail staff for the purposes of supporting general retail operations for example PSTN lines and retail ADSL lines. To account for this 'Own Use' a transfer charge is levied against

the Retail market at the same rate as the direct charges. This charge is apportioned across Retail market segments using a cost-based driver.

## **4.3 Transfer Charges from the Wholesale Other Markets**

### **4.3.1 Principle**

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

- Wholesale Narrowband Access - Transfer charges are based on a direct wholesale equivalent – wholesale offering standalone SB WLR for PSTN and ISDN services. For SB WLR lines bundled with Broadband there is an adjustment made based on the D11/18 decision notice to transfer a portion of the WLR revenue to the relevant broadband services and therefore align with the copper cost allocations;
- Wholesale Central Access - Bitstream – Transfer charges are based on a direct wholesale equivalent – wholesale broadband service. There are essentially three distinct broadband products: Bitstream IP; Bitstream Managed Backhaul and NGA Bitstream Plus.
  - Bitstream Internet Protocol (Bitstream IP) service is the legacy open eir Wholesale Broadband Access product and a direct wholesale equivalent is used for the eir Retail ADSL services;
  - The Bitstream Managed Backhaul ('BMB') service is only available in open eir NGN enabled exchanges. The charges are divided into two parts – the first part is a direct wholesale equivalent for the use of specific port speeds and the second part is based on traffic usage. The NGB usage transfer charge per port is determined from the eir Retail monthly 'busy hour' traffic usage priced at the relevant Bitstream MB usage rate applied to the Bitstream MB average line base; and
  - The NGA Bitstream Plus service is only available in open eir NGA-enabled exchanges. Charges are divided into two parts – one a direct wholesale equivalent for the use of ports which following D04/24 is charged on a VUA basis in the WLA market and the second based on traffic usage. The NGA usage charge is based on the agreed margin squeeze input.
- Wholesale Call Conveyance – transfer charges are derived based on network denominated standard services which are consumed by Retail and other on-net calls. Standard services are deemed as the nearest wholesale equivalent and its unit charges are derived from the RIO rates and Commercial Interconnection Service List (CISPL) (for transit). Further details are set out below in section 4.3.3;
- Wholesale Residual (Regulated) services, such as voicemail and call managed services – these transfer charges are based on the equivalent wholesale price by the estimated retail volumes in the year, and

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

#### **4.3.2 Volumes and usage data requirements**

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

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

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

Calculated wholesale service charges from the basis of Wholesale market transfer charges to the Retail Markets. Eir's Retail translated route factors and volumes are applied to the derived wholesale charges to calculate its transfer charge.

Transfer charges are therefore calculated in three stages:

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

#### **Transfer charge example – Call Conveyance**

##### *Stage 1 – Derive wholesale price of equivalent or nearest equivalent services*

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

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

#### *Stage 2 – Derive equivalent service volumes*

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

#### *Stage 3 – Derive transfer charges*

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

The above example is specific to a call conveyance service. The calculation for non-conveyance services operates in a similar, but less complex manner.

---

<sup>1</sup> The Wholesale Call Conveyance pricing model referred to is the one used to support the external Wholesale Call Conveyance prices in place in the period.

### ***Numerical Examples***

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

#### **Numerical Example 1 – Retail Broadband Access Rental & Usage**

For each NGA broadband service sold by eir Retail, the equivalent wholesale VUA offering is identified and the relevant prices are extracted from open eir's ARO (Wholesale Access Reference Offer). Most VUA products are priced based on a monthly port rental element plus a separate charge for aggregate data usage by the OAO customer base.

The IBU charge for port rental is calculated by taking the average line volume in the month (based on the volumes at the beginning and end of the month) for the retail broadband service and multiplying by the relevant VUA monthly price. For example, if the average line base volume in the month was 50,000 lines and the relevant VUA-equivalent monthly rental price was €10 per port/, then the resulting IBU charge for port rental would be €500,000 for the month.

The CGA IBU charge for aggregate data usage is calculated from a Retail average monthly data traffic per user/line and the average monthly line base. The price for the aggregate data usage per OAO in Megabytes per second (Mbps) is taken from the WBARO. For example, if the average line base volume in the month was 50,000 lines, the Retail average data traffic in the month was 500 kbps per user and the monthly usage price was €1 per Mbps per user then the resulting IBU charge for aggregate data usage would be ~€25,000 for the month  $50,000 \times 500 / 1024 \times 1.00$

NGA Usage is charged on a per customer basis using the agreed rate that is included in the Margin Squeeze Test model.

The total IBU charge to eir Retail for the Bitstream-based broadband service in this example would then be €525,000 for the month.

#### **4.4 Other Intra-Eircom Limited Transfer Charges**

Eircom Limited's markets can sell services to each other. The basis on which charges are made from the Wholesale markets to the Wholesale and Retail market groups is set out in section 4.1 to 4.3 above. An example of this is the transfer charges calculated by the internal consumption of wholesale call conveyance services by open eir's White Label Services<sup>2</sup>. Wholesale transfer charges use the same methodology as used when calculating the transfer to eir Retail markets.

For all other inter-market sales, the transfer charges are, as required by ComReg's Decision Notices, set to ensure no preferential treatment is given to services traded within eir, set at a rate equivalent to the charge that would be levied if the product/service were sold externally rather

---

<sup>2</sup> This service is reported within the Wholesale Residual (Unregulated) market.

than internally. As an example, the Retail Other market levies a charge upon the Wholesale Residual (Regulated) market for revenue earned in respect of its Directory Enquiries/PRS customers, whose fees have been collected by Wholesale.

#### **4.5 Reporting of Transfer Charges**

The Separated Accounts record transfer charges, as specified above, as:

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

## **5 Accounting Policies**

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

### **5.1 Basis of Preparation**

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

- The Regulatory Accounting Principles;
- The Attribution Methods;
- The Transfer Charges; and
- The Accounting Policies.

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

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

The Separated Accounts for the year ended 31 December 2024 have been prepared based on the Statutory Financial Statements and prepared in accordance with IFRS, as adopted by the European Union. The Statutory Financial Statements are prepared on a going concern basis.

The Separated Accounts are prepared by disaggregating balances recorded in the general ledgers and other accounting records of Eircom Limited and its subsidiaries (the 'eir group', the 'group') maintained in accordance with Company's statutory consolidated financial statements for the year ended 31 December 2024 ('the Statutory Financial Statements').

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed throughout the notes to the statutory statements.

#### **Standards, amendments and interpretations effective for the year ended 31 December 2024**

There were no standards, amendments or interpretations effective for the year ended 31 December 2024 that had a material impact on the consolidated financial statements of the group. The group has not early adopted any standards, amendments or interpretations that have been issued but are not yet effective for the year ended 31 December 2024.

## 5.2 Going Concern

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

The Statutory Financial Statements for the year ended 31 December 2024 were approved on 10 March 2025, and Director's assessment of the group's ability to continue as a going concern as of that date is set out below. The assessment reflects the financial position of the group at 10 March 2025 and no updated assessment has been performed for the purpose of the Separated Accounts.

### Statutory Financial Statements – Going Concern Assessment

The Directors believe that it is appropriate to adopt the going concern basis of accounting for the statutory financial statements notwithstanding the net liability position of the group, as the Directors believe that based on the group's forecast of operational cash flows, and trading results, the group will be in a position to meet its obligations as they fall due for the foreseeable future. The net liabilities of the group, included in the balance sheet at 31 December 2024, include liabilities of €2,844 million in respect of borrowings which are measured at amortised cost, and the earliest date borrowings are due is 15 May 2026 for the €552 million 3.5% Senior Secured Notes and the €300 million Facility B4 borrowings..

Having made due enquiries, the Directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the statutory financial statements.

## 5.3 Basis of Consolidation

The consolidated financial statements of the eir group comprise a consolidation of the financial statements of the Company, Eircom Limited, and its subsidiaries. The subsidiaries' financial period ends are all coterminous with those of the company included in the financial statements.

- ***Subsidiaries***

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation. Subsidiaries are deconsolidated from the group from the date that control ceases. If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value in the statutory financial statements.



- ***Acquisitions***

The purchase method of accounting is used to account for all business combinations, except for business combinations involving entities under common control and group reorganisations. Under the purchase method of accounting the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities recognised in the statutory financial statements. The interest of non-controlling interest shareholders in the acquiree is initially measured at the noncontrolling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised, and does not include a gross-up for goodwill in the statutory financial statements.

The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group. There were no acquisitions in the years ended 31 December 2024 and 31 December 2023.

- ***Disposals***

The results of businesses sold during the period are included in the consolidated financial statements for the period up to the date control ceases. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

- ***Acquisitions involving entities under common control***

Business combinations involving entities under common control are not required to be accounted for using the purchase accounting method under IFRS. The group instead applies the predecessor accounting method for such transactions. Under the predecessor accounting method, which is also commonly referred to as the merger accounting method, the assets and liabilities acquired are recognised at the acquisition date at the carrying values stated in the consolidated financial statements of the highest entity which has common control for which consolidated financial statements are prepared. The goodwill recognised is limited to the goodwill previously recognised in the consolidated financial statements of the highest entity which has common control. The difference between the consideration and the net assets recognised at predecessor value is charged/credited to the merger reserve, in equity. The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group.

## **5.4 Goodwill**

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

## 5.5 Intangible Assets

Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. IT development costs include only those costs directly attributable to the development phase and are only capitalised following completion of a technical feasibility study and where the group has an intention and ability to use the asset which will contribute future period financial benefits through revenue generation and/or cost reduction. Internal costs associated with developing computer software programmes are also capitalised on the same basis. These costs are amortised over their estimated useful lives. Costs associated with the upgrade of computer software programmes which increase the functionality of computer software or related assets are capitalised.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Licence fees paid to the government, which permit telecommunications activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period.

Other intangible assets, which comprise primarily of acquired intangible assets, are capitalised at fair value and amortised using the straight line method over their estimated useful lives, from the date the intangible assets are available for use.

The following useful lives (years) have been assigned to intangible assets:

Asset Category	Asset Life
Computer software	3 – 6
Mobile Licenses	15 - 18.5 <sup>(3)</sup>
TV Content Rights (Fixed)	3

Intangible assets not yet available for use are tested for impairment in accordance with IAS 36 'Impairment of Assets'. Any impairment calculated is excluded as part of the Separated accounts.

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

## 5.6 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, as separate performance obligations, for the sale of goods and services in the ordinary course of the group's

---

<sup>3)</sup> Mobile licences are amortised up to the date of the relevant licences, which expire between 13 July 2015 and 12 July 2030.

activities. Amounts disclosed as revenue are net of discounts and value added tax. Revenue includes sales by group entities but excludes all inter-company sales.

If the group has control of goods or services when they are delivered to a customer, then the group is the principal in the sale to the customer; otherwise the group is acting as an agent. Whether the group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the group and its business partners; such judgements impact the amount of reported revenue and operating expenses.

The group determines the transaction price to which it expects to be entitled in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs. The group's contracts are structured in such a way that there is little or no variable consideration.

Revenue is recognised when goods and services are delivered to customers; goods and services may be delivered to a customer at different times under the same contract, hence it is necessary to allocate the amount payable by the customer between goods and services. The group has used a relative standalone selling price basis to ascertain the goods element of the contract and this requires the identification of performance obligations, which is discussed below.

It is necessary to estimate the standalone price when the group does not sell equivalent goods or services in similar circumstances on a standalone basis. Where possible, the group observes the standalone prices for similar goods and services making up the total contract price, which is the typically the case for handsets. A cost-plus reasonable margin approach is applied to arrive at the Recommended Retail Price ('RRP') for prepaid handsets, hence this value is used as the standalone price of the handset for postpay contracts. A dual validation is performed by which the service element of the contract is reviewed against a sim-only service offering. The group maximises the use of external inputs to assess the reasonableness of the standalone selling prices by observing the standalone prices for similar goods and services when sold by third parties.

Customers typically pay upfront for handsets, in advance for prepay and monthly for postpay and other communication services. Where the customer pays a value less than that of the RRP of the handset upfront, the balance is deemed to be paid over the term of the related service agreement. When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the group receives an advance payment from a customer, a contract liability is recognised. When contract assets or liabilities are recognised, a financing component may exist in the contract. The group avails of a practical expedient to exclude significant financing on the basis that the amounts are immaterial,

arising from an assessment which was carried out on handsets, contract duration and interest rates on the open market.

These handset values are recognised upfront since ownership of the handset passes to the customer on date of inception of the contract and the values are then amortised against the service revenue component of the bundle delivered over the contract period. There is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised. The group avails of practical expedients to exclude contracts of duration of 12 months or less, as almost all contracts are of 18 and 24 month duration.

Impairment losses are calculated separately from other expected credit loss provisions under IFRS 9 – churn is reviewed on an annual basis and these percentages are built into the contract asset valuation model so that losses are written off immediately and not capitalised to the balance sheet.

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. The prices at which services are charged are regulated and can be subject to retrospective adjustment. Revenue from interconnect fees is recognised at the time the services are performed.

Fixed line revenue is recognised in the period earned by rendering of services or delivery of products. Fixed line revenues largely comprise access, voice traffic, data services and managed services. Traffic revenue is recognised at the time the traffic is carried over the group's networks and revenue from rentals is recognised evenly over the period to which the charges relate and over the life of the contract. Billings for fixed telephony services are made on a monthly, bi-monthly or quarterly basis. Mobile revenue consists principally of charges to customers for traffic from mobile network services, revenue from providing network services to other telecommunications operators, and the sale of handsets and other accessories. Payment terms are typically 14 days from invoice date and 30 days for business customers. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Where Customer Premises Equipment ('CPE') is part of the bundled revenue – an assessment is undertaken to attach a market value to the equipment provided. In the case of modems, the life of the equipment is deemed to be 5 years which spans multiple customer contracts, which are 12 months in duration, and therefore immaterial. Modems are returned at the end of the customer contract, with a charge levied on customers who do not adhere. These are refurbished on return at minimum cost and re-issued to a new customer. In the case of TV set top boxes, there is no market value as the provider is contractually obliged not to provide the software necessary to an end customer to enable them to use this equipment with any other provider's service other than the group's.

Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle. Revenue from the sale of bundled service

products is allocated to the separate elements of the bundle on the basis of each element's relative stand-alone selling price basis as described above and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the service when sold separately. Additionally, when allocating the bundled revenue to each element, amounts contingent upon provision of future service are not allocated to delivered elements. To the extent that there is a discount in the bundled product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element and is embedded in a reduced price to the customer.

Revenue arising from the provision of other services, including maintenance contracts, data hosting and other related professional services, is recognised over the term of the contract.

Revenue arising from the provision of build to suit services of mast sites is recognised when the group fulfils its contractual obligations and the assets are live and acceptance from the counterparty has occurred.

Refunds and credits are recorded in the period to which they relate as a deduction to revenue, but are limited and infrequent in nature since eligible return periods are short and under strict criteria, for example faulty handsets within a 14 day period. Warranties are provided to the customer by the manufacturer, hence there is no exposure to the group.

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, these costs are recognised in the income statement as expenses in line with the recognition of revenue when the related obligation is delivered, over the life of the contract. The costs of acquiring a contract including commission payable for acquiring customers on behalf of the group, are recognised as contract acquisition cost assets as prepaid and deferred.

## **5.7 Exceptional Items**

The group has adopted an income statement format which seeks to highlight significant or one-off items within group results for the year. The group believe that this presentation provides additional analysis as it highlights significant or one-off items. Such items include, restructuring costs, curtailment gains and losses in respect of pensions, charges in respect of certain management performance related bonuses, impairment of assets (including goodwill), onerous contracts. Judgement is used by the group in assessing the particular items, which, by virtue of their scale and nature, are disclosed in the group income statement and related notes as exceptional items.

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

## **5.8 Amounts Paid and Payable to Other Operators**

Amounts paid and payable to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

## **5.9 Customer Acquisition Costs**

The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are recorded as an asset and amortised either as an expense or a reduction to revenue depending on handset value, over the period of the relevant contracts under IFRS 15.

The cost of mobile handsets is recorded as an expense in the period of purchase.

The costs associated with the group's advertising and marketing activities are expensed as incurred.

## **5.10 Foreign Currencies**

### **Functional and presentation currency**

Items included in the financial statements of each of the eir group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). These consolidated financial statements are presented in euro, which is the group's presentation currency and is denoted by the symbol "€".

### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of other comprehensive income as qualifying cash flow hedges.

### **Group entities**

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the statement of other comprehensive income in the statutory financial statements and are therefore effectively excluded from the Separated Accounts.

## **5.11 Taxation**

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

## **5.12 Financial Instruments**

### *Borrowings*

In the Statutory Financial Statements, all borrowings are initially stated at the fair value of the consideration received after deduction of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the fair value on initial recognition and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Where the terms of borrowings are amended, if the revised terms are substantially different from the original terms, the transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any gain or loss on the extinguishment of the original liability is recognised immediately in the income statement.

If the new terms are not substantially different from the original terms, the impact of the change in the cash flows on the financial liability are recognised immediately in the income statement. The modification gain or loss is equal to the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate. The carrying value of the financial liability is adjusted for the modification gain or loss recognised immediately in the income statement and the effective interest rate is revised to amortise the carrying value of the financial liability after modification over the modified liability revised contractual period. Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement for the liability for at least 12 months from the balance sheet date.

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

### *Financial assets at amortised cost*

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently measured at amortised cost and are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

### *Derivative financial instruments*

In the statutory financial statements, derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each subsequent balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. A hedge ratio of one to one is established.

In the statutory financial statements, derivative assets or liabilities are presented as current or non-current based on expected realisation or settlement dates. Derivative financial instruments are excluded from the Separated Accounts.

### *Cash flow hedges*

For the purpose of statutory financial statements, where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income of . Any ineffective portion of the hedge is recognised in the income statement.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

Cash flow hedges are excluded from the Separated Accounts.

## **5.13 Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Cost, in the case of network plant includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.



### Depreciation

Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives from the date the asset is available for use. As discussed at Section 3.7.2 above, the estimated economic lives, from the date the asset is available for use assigned to property, plant and equipment, are as directed by ComReg in D08/09 and not the asset lives used to prepare the statutory financial statements.

The estimated economic lives assigned to property, plant and equipment directed by ComReg in respect of the accounting year ended 31 December 2024 are as follows:

Asset Class	Estimated Economic Life (Years)
<b>Buildings</b>	40
<b>Transmission Equipment</b>	
Duct	40
Poles	30
Overhead cable	15
Underground cable	20
Other local network	8-20
<b>Exchange Equipment</b>	
Exchange line terminations	8
Core hardware/operating software	5-10
<b>Others</b>	3-25

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge prospectively to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, cost of assets and related accumulated depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

### Assets in the course of construction

Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, directly attributable to constructing qualifying assets that necessarily take a substantial period of time to

get ready for their intended use, is capitalised based on the weighted average interest rate on outstanding borrowings.

#### *Asset retirement obligations*

The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The group capitalises the discounted future cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

### **5.14 Impairment of Non-Financial Assets**

Assets that have an indefinite useful life, principally goodwill and intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill and secondly against the other assets (including other intangible assets) in the cash generating unit on a pro-rata basis based on the carrying amount of each asset in the cash generating unit.

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses recognised in respect of goodwill are not reversed in any circumstances.

Impairment losses are excluded in the regulatory financial statements. Any impairment charged to Right of Use Assets in accordance with IFRS 16 is reversed for the regulatory financial statements.

### **5.15 Leased Assets**

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *Where the group is lessee*

The group applies lease accounting under IFRS 16 for all leases. The group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. The group has elected not to recognise a lease liability for short term leases or for leases of low value assets as further discussed below. In addition, certain variable lease payments that are not permitted to be recognised as lease liabilities are expensed as incurred. The group have established three classes of assets, Mobile Cell Sites, Vehicles and Property.

### **(i) Right of use assets**

The group recognises right of use assets at the commencement date of the lease (the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and costs to dismantle/retire the asset at a future date. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, recognising a full month's depreciation in the month of contract inception and none in the month of contract termination. If ownership of the leased asset transfers to the group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment for the group statutory accounts but not for the purpose of the Separated Accounts. Any impairment charged to Right of Use Assets is reversed as part of the regulatory financial statements.

### **(ii) Lease liabilities**

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate. The group separates the lease component from non-lease components of the contract in all class of assets.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date for classes of assets, Mobile Cell sites and Property because the interest rate implicit in the lease is not readily determinable. Incremental borrowing rates are calculated using a portfolio approach, where the group treats assets under a common lease contract with the same contract terms collectively. The group uses the implicit rate determinable in the lease for the Vehicles class of asset. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease prepayments and lease accruals are excluded from the IFRS 16 lease liabilities for the purposes of the separated accounts as these balances are considered financing balances.

**(iii) Short-term leases and leases of low value assets**

The group applies the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The group applies the lease of low value assets recognition exemption to leases that are considered to be low value. Lease payments on leases of low value assets are recognised as expense in the period they relate to.

*Where the group is lessor*

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## **5.16 Inventories**

Inventories comprise mainly consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items, on the basis of a review of individual items included in inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## **5.17 Trade and Other Receivables**

Trade and other receivables are recognised at fair value, which is normally the original invoiced amount or amount advanced, less any provision for expected credit losses. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The carrying amount of the asset is reduced through the use of the provision for expected credit losses, and the amount of the loss is recognised in the income statement in “operating costs”. When a trade receivable or other receivable is uncollectible, it is written off against the provision for expected credit losses.

Trade receivables are reviewed regularly to assess the adequacy of the provision for expected credit losses in accordance with IFRS 9. The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of a lifetime expected loss provision. The credit loss rates used are based on actual collection statistics and applied to each aged debt bracket to ascertain the provision for expected credit losses. The regular reviews of trade receivables will reduce any differences between loss estimates and actual loss experience.

## 5.18 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturity of less than three months.

## 5.19 Indefeasible Rights of Use (IRU)

The group accounts for IRU contracts in the following manner:

- (i) A contract arrangement that is for the capacity portion of an asset that is not physically distinct and does not represent substantially all of the capacity of the asset and thereby does not provide the customer with the right to obtain substantially all of the economic benefits from use of the asset is accounted for as a service and does not contain a lease pursuant to IFRS 16. These contracts arrangements have a single performance obligation of providing capacity and revenue is recognised on a straight-line basis over the period of the relevant contracts.
- (ii) In the case of IRU arrangement containing a performance obligation to build fibre on behalf of the customer, comprising of a physically distinct asset for which the customer has control, revenue is recognised at each stage of the completed build.

IRU's are included in the regulatory model and are allocated to the Wholesale Residual Unregulated market.

## 5.20 Employee Benefits

### *Pension obligations*

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

A defined contribution plan is a pension plan under which the eir group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service, in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Typically, defined benefit plans define an amount of future pension benefit that employees have earned in return for their services to date. The pension benefit that an employee will receive on retirement is usually dependent on factors such as age, years of service and compensation. The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the group's defined benefit obligation at the balance sheet date, less the fair value of plan assets. Plan assets are valued at their market value at the balance sheet date using bid values. The defined benefit obligation, and the related current service cost, and, where applicable, past service cost, are calculated by independent actuaries using the projected unit credit method. The defined benefit obligation is calculated annually unless there has been a material change in the obligations, where it is then recalculated during the year. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on current market yields at the balance sheet

date of high quality corporate bonds that are denominated in euros, and reflect the duration of the related pension liability.

The amounts of current service cost and net interest cost recognised in the income statement are computed based on actuarial assumptions at the start of the financial year. Costs of administering the defined benefit plans, other than investment management costs, are recognised within operating expenses in the income statement as the administrative services are received. Past service costs and negative past service costs are recognised immediately in the group income statement.

The charge included in the Separated Accounts in respect of pension costs is the actual amounts payable for the group's defined contribution schemes and the current service charge (determined in accordance with IAS 19 Revised); less pension amounts capitalised and including the costs of administering the plan, for the group's defined benefit schemes. The current service charge represents the actual cost of meeting the group's pension obligations over employees working lives and excludes the impact of related finance income and costs, which are excluded from the Separated Accounts. Costs of administering the defined benefit plans, other than investment management costs, are recognised within operating expenses in the Income Statement as the administrative services are received.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to reserves through the statement of other comprehensive income.

Settlements and curtailments trigger immediate recognition of the consequent change in obligations and related assets or liabilities in the group income statement. Before the effect of a curtailment or settlement is determined, the defined benefit obligation is re-measured using current actuarial assumptions. Under the Defined Benefit Trust Deed, the group is entitled to the surplus assets in the main superannuation fund in the event of a wind-up of the defined benefit scheme.

In the statutory financial statements, the deferred tax impact of pension plan surpluses and deficits is disclosed separately within the deferred tax assets or liabilities, as appropriate.

The pension asset and additional charges or credits representing the amounts determined in accordance with IAS 19 Revised 'Employee Benefits' have been excluded from the statement of Mean Capital Employed within the Separated Accounts.

#### *Other bonus plans*

The group recognises a liability and an expense for bonuses where contractually obliged or where there is past practice that has created a constructive obligation.

The entitlement to bonuses under performance bonus plans is usually conditional on achieving a number of performance related targets. These bonus amounts are reflected in the financial statements when targets are determined or met and bonus amounts are paid.

### *Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following (a) when the group can no longer withdraw the offer of those benefits or (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits comprise the estimated benefits payable to staff availing of voluntary leaving schemes and the associated pension impact. The cost of termination benefits and related provisions are excluded from the Separated Accounts and appear in the reconciliation statements in the Separated Accounts.

## **5.21 Provisions**

A provision is recognised when and only when: (a) the eir group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amounts of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

A constructive obligation, for restructuring cost, exists where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date. Provisions for restructuring costs are excluded from the Separated Accounts and appear in the reconciliation statements in the Separated Accounts.

If the group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs of meeting its obligations under the contract exceed the economic benefits expected to be received under the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

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

## **5.22 Financial Guarantee Contracts**

Liabilities are initially measured at fair value in respect of financial guarantees issued by the group for the benefit of third parties, and subsequently at the higher of the amount determined in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate

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

## **5.23 Contingent Liabilities and Contingent Assets**

A contingent liability, including contingent liabilities in respect of financial guarantee contracts, is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because: (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (b) the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognised but is disclosed in the notes to the statutory financial statements.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain an asset is recognised.

## **5.24 Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share Capital is excluded from the Separated Accounts.

## **5.25 Dividend Distribution**

Final dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a distribution in the group's financial statements in the period in which the dividends are declared.

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

## **5.26 Dividends**

Dividend income is recognised when the right to receive payment is established.

Dividend income is excluded from the regulatory costing model and appears in the reconciliation statement in the Separated Accounts.



## 6 Appendices

### 6.1 open eir Network Elements

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

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

	Repair and Maintenance	Comprises the appropriation and CMA activity costs related to reactive maintenance of all narrowband, broadband and data access services, excluding works within customer premises beyond the first point of service i.e. master socket (NTU). Allocates to service based on activity code.
--	------------------------	---

Category	Network Element	Definition and Allocation Basis
Line Sensitive Exchange	Subscriber Unit	Represents exchange line equipment within remote and co-located subscriber units up to and including the share of the common infrastructure deemed to be driven by the number of installed lines, including MSAN costs.  Allocates to PSTN and ISDN WLR services based on volumes weighted to reflect relative cost of equipment.
Call Sensitive Exchange Costs	Subscriber Unit; Parent Switch and Gateway Switch	Represents <ul style="list-style-type: none"> <li>the share of exchange equipment within remote and co-located subscriber units excluding line cards;</li> <li>the element of exchange equipment within core network switches upon which customer lines are parented; and</li> <li>the element of exchange equipment within core non-parent gateway.</li> </ul> Deemed to be driven by the number of calls. Allocates to call markets based on call volumes weighted by routing factors.
Traffic Sensitive Exchange Costs	Subscriber Unit; Parent Switch and Gateway Switch	Represents <ul style="list-style-type: none"> <li>the share of exchange equipment within remote and co-located subscriber units excluding line cards;</li> <li>the element of exchange equipment within network switches upon which customer lines are parented; and</li> <li>the element of exchange equipment within non-parent gateway switches.</li> <li>the MGWs and the MGCs</li> </ul> Deemed to be driven by volume of traffic minutes. Allocates to call markets based on minute volumes weighted by routing factors.
Other Exchange Costs	Interconnect Equipment	The cost associated with exchange ports utilised for the provision of interconnect to OAOs, including overheads from maintenance, power etc. Allocates to interconnect links (including VIX) and related services.
	Intelligent Network	Represents the cost of special service exchanges used to perform intelligent network functions.  Allocates to call markets based on weighted call volumes.
	Other Switching Elements	Represents exchange costs associated with fixed SMS and voicemail platforms. Allocates to related services based on usage statistics.

Non-Length Dependent Transmission	PSTN Link	Includes the proportion of core transmission equipment utilised in the provision of voice connectivity between: <ul style="list-style-type: none"> <li>• Remote Subscriber Units and parent exchanges;</li> <li>• Directly connected parent exchanges;</li> <li>• Parent exchanges and gateway exchanges.</li> </ul> Allocates to call markets based on weighted minute volumes.
	Interconnect Link	Represents the proportion of core transmission equipment utilised in the provision of Customer Sited and In-Span Interconnection links. Allocates to interconnect links and related services.
	Data including Leased Lines Link	Represents the proportion of core transmission equipment utilised in the provision of connectivity between relevant data nodes for the ATM, Business IP and leased lines network platforms. Allocates to related data services based on usage statistics.
	DSL Transmission Link	Represents the proportion of core transmission equipment utilised in the provision of connectivity to backhaul traffic from DSLAM locations to open eir/OAO points of preference (PoPs). Allocates to broadband services based on usage statistics.
	Other Data Link	Represents the proportion of core transmission equipment utilised in the provision of connectivity between relevant data nodes for the ATM and Business IP network platforms. Allocates to data services based on usage statistics.
	NGN Link	Includes the costs of NGN routers and the transmission equipment used to connect these routers across the core network. Main cost categories comprise routers, transmission equipment and related maintenance and network support costs. Allocates to NGN based services such as Ethernet, Next Generation Broadband: Next Generation Access and Bitstream based on usage statistics.
	Other Transmission link	Represents the proportion of core transmission equipment utilised in the provision of connectivity for services not listed above, largely ISDN PRAs, International backhaul links and the Access Core Transmission Network Elements. Allocates to related services based on usage statistics.

Category	Network Element	Definition and Allocation Basis
Length Dependent Transmission	PSTN: length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of voice connectivity between <ul style="list-style-type: none"> <li>• Remote Subscriber Units and parent exchanges;</li> <li>• Directly connected parent exchanges;</li> <li>• Connectivity between directly connected gateway exchanges.</li> </ul> Allocates to call markets based on weighted minute volumes.
	Interconnect Length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of Customer Sited and In-Span Interconnection links. Allocates to interconnect links and related services.
	Data including Leased lines Length	Represents the proportion of core transmission duct and fibre utilised in the provision of connectivity between relevant data nodes. Allocates to related data services based on usage statistics.
	DSL Transmission Length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of connectivity to backhaul traffic from DSLAM locations to open eir/OAO PoPs. Allocates to broadband services based on usage statistics.
	Other Data Length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of connectivity between relevant data nodes for the ATM and Business IP network platforms. Allocates to data services based on usage statistics.
	Optical Circuits	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision single service use, high bandwidth circuits.
	NGN Length	Includes the costs of transmission length based infrastructure used to connect NGN routers across the core network. Main cost categories comprise duct, fibre cables, DWDM and related maintenance and network support costs. Allocates to NGN based services such as Ethernet, Next Generation Broadband: Next Generation Access and Bitstream based on usage statistics.
	Other Transmission Length	Represents the proportion of core transmission duct, WDM and fibre utilised in the provision of connectivity for services not listed above, largely ISDN PRA's, International Backhaul Links, and the Access Core Transmission Network Elements. Allocates to related services based on usage statistics.

Category	Network Element	Definition and Allocation Basis
Data Platform costs	Legacy Leased Lines	Represents leased line platform costs, including Dassnet and Martis. Allocates to related data services based on usage statistics.
	Other Data Platforms	Represents data platform costs for the Business IP, ATM and Legacy Ethernet Platforms. Allocates to related data services based on usage statistics.
	IP Multimedia Subsystem (IMS)	Represents the costs associated with open eir's IMS platform. These costs have been allocated to Wholesale Residual Unregulated and represent cost based charges made to users of the platform.
Other Network Elements	Out payments	Represents payments to OAOs and foreign carriers for the termination of off net calls. Allocates to individual services based on the analysis of General Ledger codes and nature of the underlying cost.
	Carrier Administration	Consists of the appropriation and CMA activity costs of performing the CRM function with OAOs and overseas carriers, excluding billing. Allocates to services based on the underlying activity codes.
	Carrier Billing	Consists of the appropriation, CMA activity and billing system costs associated with the production distribution and collection of carrier bills. Allocates to services based on the underlying activity codes.
	Other SMP Elements	Consists of all other network costs not associated with the above Network Elements utilised in the provision of regulated wholesale services including repayments costs for LLU products RLA/RLB and Internet Access equipment. Allocates to related services based on usage statistics.
	Non-SMP Elements	Consists of all other network costs not associated with the above Network Elements utilised in the provision of unregulated wholesale services, mainly repayable works orders and international carriers. Allocates to related services within Wholesale Residual Unregulated based on usage statistics.
	Pole Access Elements	Consists of Pole Costs relating to provision of regulated wholesale Pole Access. Allocates to related service within wholesale unbundled access.
	Duct-Access Elements	Consists of Duct costs relating to provision of regulated wholesale Sub Duct Access, including relevant sub-duct costs. Allocates to related service within wholesale unbundled access.

## 6.2 Functional Cost Categories

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