

# Current Cost and Long Run Incremental Cost Statements

**FOR YEAR ENDED 31 MARCH 2000**

## **FINANCIAL STATEMENTS**

**Please note: All figures within  
this document are in euros.**

## *eircom Current Cost and Long Run Incremental Cost Statements*

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# *eircom Current Cost and Long Run Incremental Cost Statements*

## **Introduction**

*eircom* is required, under Condition 15 of its General Telecommunications Licence, granted by the Office of Telecommunications Regulation (“ODTR”) on 1<sup>st</sup> December 1998, to maintain accounting records in a form which enables the activities of any business unit specified in any direction given by the Director of Telecommunications Regulation (“the Director”) to be separately identifiable, and which the Director considers to be sufficient to show and explain the transactions of each of these business units.

Directive 97/33/EC of the European Parliament and Council, as enacted into Irish law by Statutory Instrument No. 15 of 1998, establishes the legal and regulatory framework for the interconnection of telecommunication networks within the EU, including a requirement for accounting separation.

The detailed framework and financial statement disclosure has been set out in the ODTR Decision Notices D5/99, D10/99 ‘Accounting Separation and Publication of Financial Information for Telecommunications Operators’, dated May 1999, August 1999, August 2000 and September 2000 respectively, D8/99 ‘Costing methodologies for use in Accounting Separation’, dated July 1999 and D9/00 and D10/00 ‘Accounting Separation and Publication of Financial Information for Telecommunication Operators’, dated August 2000 and September 2000 respectively. The framework for the preparation of Long Run Incremental cost statements is set out in ODTR Decision Notice D6/99 “The development of Long Run Incremental Costing for Interconnection” dated June 1999 (the ‘Decision Notices’).

These Current Cost and Long Run Incremental Cost Statements (the Financial Statements), have been prepared in accordance with the Accounting Documents dated 3<sup>rd</sup> December 2000 and the Decision Notices insofar as they apply to the 1999/2000 accounts.

## Introduction (Cont'd.)

### *Framework*

*eircom* had expected agreement from the ODTR to its Current Cost and Long Run Incremental Cost (“LRIC”) framework as articulated in the Accounting Documents, dated 3<sup>rd</sup> December 2000. The ODTR has indicated that it is not in a position to agree the LRIC framework prior to publication. The directors are not satisfied with the consequent uncertainty that results. However, to meet the company’s licence requirements and the LRIC accounting deadline, as directed by the ODTR, the company has published its LRIC financial statements, which have been prepared in accordance with the Accounting Documents and which, as confirmed in the Statement of Responsibility on page 6, the directors believe to be properly prepared in accordance with the Accounting Documents. The directors also believe the Accounting Documents are an appropriate, unbiased and reasonable interpretation of the Decision Notices and are in line with established practice in other countries.

### *Accounting Documents*

The Statements have been prepared according to the principles detailed in the Accounting Documents dated 3<sup>rd</sup> December 2000 (“the Accounting Documents”) which set out the framework under which the Financial Statements are to be prepared. These statements should be read in conjunction with the Accounting Documents.

The Accounting Documents are made up of the following:

1. Regulatory Accounting Principles – which lay out the general rules by which the Financial Statements should be prepared, for example that all balances should be attributed with reference to cost causality.
2. Attribution Methods – which explain how revenue, costs including transfer charges, assets and liabilities are attributed to the Businesses and Network Elements and Activities within those Businesses, following the Regulatory Accounting Principles, on a fully allocated basis.
3. Transfer Charges – which explain how charges are raised from the Core Network and Local Access Network Businesses to the Retail Business for the use of the respective networks.

4. Accounting Policies – which detail the accounting policies adopted in preparing the underlying financial information.
5. Current Cost Valuation Methodology – which sets out the principles followed in preparing the underlying current cost financial information.
6. Long Run Incremental Cost Methodology – which sets out the principles followed to derive the long run incremental costs.

### *Applicable Rate of Return*

The applicable Rate of Return used in these Financial Statements is 12%. The Rate of Return has been mandated by the Director in Decision 4.3.4 of Decision Notice D9/00.

### *Basis of preparation of the Financial Statements*

#### *Current Cost Core Network*

The structure of the Businesses required under the Decision Notices does not correspond to the way in which the statutory accounting records are structured. The Current Cost Financial Statements are therefore prepared by overlaying the requirements of the Decision Notices on the accounting records and management structure of *eircom*.

The Current Cost Financial Statements are prepared by attributing the balances in *eircom's* general ledgers and other accounting records to the Businesses and disaggregated Activities. As required by the Decision Notices, wherever possible, revenue, costs, assets and liabilities are directly associated with a Business, Activity or Network element using information recorded within *eircom's* accounting records and are directly attributed to that item. Where no such direct attribution is possible the revenue, costs, assets and liabilities are apportioned between two or more Activities, Network elements or Businesses on a basis that reflects the causality of the revenue, cost, asset or liability. Residual costs for which no direct or indirect method of apportionment can be identified are allocated using an equal proportionate mark-up method. Details of this process are given in the Attribution Methods section within the Accounting Documents.

In selecting appropriate attribution methods and appropriate non-financial data for use within the attribution models employed in the production of these statements, *eircom* has had to make certain estimates and exercise its judgement, having regard to the regulatory principles, including cost causality and objectivity, in order to comply with the requirements of the Accounting Documents.

The Core Network Financial Statements include current cost adjustments prepared under the financial capital maintenance convention, including adjustments to historical cost depreciation and fixed assets to reflect current values. In addition, to reflect the appropriate allocation of the modern equivalent assets to Businesses, Activities and Network Elements, the apportionment of certain fixed assets and their related depreciation has been modified compared with the Financial Statements for Businesses and Activities published on 30<sup>th</sup> September 2000 (and subsequently restated on 22<sup>nd</sup> November 2000), which were on an historical cost basis. The attribution of other operating costs and transfer charges between the Businesses remain unchanged. The valuation methods that underlie the current cost accounts are set out in the Accounting Documents dated 3<sup>rd</sup> December 2000.

### *Inland Core Conveyance Network Statement s*

The Inland Core Conveyance Network Statements are prepared under a top down modelling approach whereby:

- the costs and net assets measured according to current cost accounting conventions are analysed at a detailed level;
- the causal drivers associated with the cost are identified;
- the relationship between cost and cost driver is described identifying the fixed and variable components of costs and presented as a dimensional graph of volume and cost (cost volume relationship);
- cost driver volumes are identified with the increments to be measured;
- the change in cost associated with the removal or addition of an increment is measured by reference to its cost volume relationship;
- comparison of *eircom's* total costs and incremental cost of Access Network and Inland Core Conveyance Network allows the identification of fixed common costs; and
- statements are presented detailing the recovery of fixed common and joint costs.

## *Statement of Responsibility*

for preparing the Financial Statements

*eircom* is required, under Condition 15 of its General Telecommunications License, granted by the Office of the Director of Telecommunications (“ODTR”) on 1<sup>st</sup> December 1998, to maintain accounting records in a form which enables the activities of any business unit specified in any direction given by the Director of Telecommunications Regulation (“the Director”) to be separately identifiable, and which the Director considers to be sufficient to show and explain the transactions of each of these business units.

The Current Cost and Long Run Incremental Cost Financial Statements

1. include
  - 1.1 a Core Network profit and loss statement including CCA adjustments;
  - 1.2 a Core Network statement of mean capital employed including CCA adjustments;
  - 1.3 a Core Network statement of costs including CCA adjustments;
  - 1.4 a statement of costs for the Inland Core Conveyance Network
    - 1.4.1 on a Long run incremental costs basis
    - 1.4.2 on a Distributed Long run incremental costs basis
    - 1.4.3 on a Distributed Long run incremental costs basis plus recovery of inter-increment fixed and common costs
  - 1.5 a statement of costs of network services
    - 1.5.1 on a CCA fully allocated cost basis
    - 1.5.2 on a Distributed Long run incremental costs basis plus recovery of inter-increment fixed and common costs
2. are prepared in accordance with the Accounting Documents published with these Financial Statements. Insofar as there is any inconsistency between any or all of the Accounting Documents, the company ensures that the Financial statements are prepared in accordance with the Accounting Documents in the following order of priority:
  - 2.1 the Regulatory Accounting Principles;
  - 2.2 the Attribution Methods;
  - 2.3 the Transfer Charges;
  - 2.4 the Accounting Policies;
  - 2.5 the Current Cost Valuation Methodology ;
  - 2.6 the Long Run Incremental Cost Methodology.
3. are reconciled with the Annual Report and that reconciliation is demonstrated.

*eircom* confirms that the Financial Statements for the year ended 31<sup>st</sup> March 2000 have been prepared in accordance with the requirements of Condition 15 of its General Telecommunications Licence.

Alfie Kane  
Chief Executive Officer.  
3<sup>rd</sup> December 2000

## *Report of the Auditors*

To *eircom* plc issued in accordance with Decision 4.1 of Decision Notice 8/99 and D.5.1 of Decision Notice D9/00 issued by the Office of the Director of Telecommunications Regulation.

1. We have examined the financial statements on pages 10 to 25 which have been prepared under the current cost convention in accordance with Decision Notices 5/99, 6/99, 8/99, 10/99, 9/00 and 10/00 (“the Decision Notices”) issued by the Office of the Director of Telecommunications Regulation (“the Regulator”) and in accordance with *eircom* plc’s (“the company”) costing methodologies which are articulated in the accounting documents dated 1 December 2000, published with the financial statements (“the Accounting Documents”).
2. The financial statements comprise current cost financial statements for the year ended 31 March 2000 for the Core Network Business and incremental cost statements for the Inland Core Conveyance Network. The financial statements of the Core Network Business include the Network Statement of Costs and the Statement of Costs of Network Services. The incremental cost statements for the Inland Core Conveyance Network include the Statement of Costs on an Incremental Cost Basis (including incremental costs, distributed incremental costs and distributed incremental costs including recovery of inter increment common and joint costs).

### *Respective responsibilities of the company and auditors*

3. The company is responsible for preparing and approving, as described on page 6, the financial statements. Our responsibilities, as independent auditors, are established by the Decision Notices, the Auditing Practices Board and our profession’s ethical guidance.
4. We report our opinion as to whether each of the financial statements has been prepared in accordance with the Accounting Documents. We also report if, in our opinion, the “Introduction” by the company, setting out the basis upon which the financial statements have been prepared, is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all of the information and explanations we require for our examination, or if the information specified by the Decision Notices is not disclosed.
5. We read the “Definitions of the Businesses” and consider the implications for our report if we became aware of any apparent misstatements or material inconsistencies with the financial statements.

### *Basis of audit opinion*

6. As explained in the “Basis of Preparation of the Financial Statements” on page 4, in accordance with the Accounting Documents, the financial statements are prepared by disaggregating balances recorded in the general ledgers and other accounting records of the company and its subsidiaries (“the group”) maintained in accordance with The Companies Acts, 1963 to 1999, and used, in accordance with those Acts, for the preparation of the company’s statutory consolidated financial statements for the year ended 31 March 2000 (“The Statutory Financial Statements”).
7. We have audited the Statutory Financial Statements on which we expressed an unqualified audit opinion. In performing our audit of the Statutory Financial Statements, we carried out such tests of the transactions and balances recorded in the general ledgers and other accounting records of the group as we considered necessary to enable us to express that opinion. This included examination and evaluation of the company’s principal accounting and control systems, analytical review of key balances, assessment of accuracy of the coding of transactions and balances, enquiries of directors and managers of the company and substantive tests of balances and transactions recorded in the group’s general ledgers. Our statutory audit work concluded upon signature of our opinion on the Statutory Financial Statements. In conducting our subsequent examination of the financial statements we have not performed any additional tests of the transactions and balances recorded in the general ledgers and other accounting records beyond those already performed for the purpose of our audit of the Statutory Financial Statements.
8. Having regard to the above:-
  - (i) We conducted our audit in accordance with relevant Auditing Standards issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the financial statements.
  - (ii) We planned and performed our examination so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that each of the financial statements is prepared in accordance with the Accounting Documents. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

9. Many of the group's revenues, costs, assets and liabilities are not directly identifiable with individual activities and the preparation of the financial statements requires a significant number of apportionments. As explained on page 5 in the "Basis of Preparation of the Financial Statements", in selecting appropriate attribution methods and appropriate non-financial data for use within the attribution models employed in the production of financial statements, the company has had to make certain estimates and exercise its judgement, having regard to the regulatory principles specified in the Accounting Documents, including cost causality and objectivity, in order to comply with the requirements of the Accounting Documents. The company has decided that attribution methods and non-financial data sources will continue to be reviewed and, where appropriate, improved.

*Uncertainty in respect of LRIC framework*

10. As outlined in the "Introduction" in the financial statements, the Regulator has indicated that it is not in a position, prior to publication of the financial statements, to agree the Long Run Incremental Cost framework, as articulated in the company's Accounting Documents. The Regulator has reserved the right to direct adjustments to the financial statements following its review. Our examination of the financial statements was completed on 3 December 2000, on signature of this report. Accordingly, our examination did not take account of any review by the Regulator of the financial statements or of any subsequent directions from the Regulator made in connection therewith. Our opinion is not qualified in this respect.

*Opinion*

11. In our opinion: -

§ Each of the financial statements for the year ended 31 March 2000 has been prepared in accordance with the Accounting Documents.

*PricewaterhouseCoopers*

Chartered Accountants and Registered Auditors

Dublin

3<sup>rd</sup> December 2000

## Core Network Business

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### *PROFIT AND LOSS ACCOUNT INCLUDING CCA ADJUSTMENTS*

for the year ended 31 March 2000

	<i>Year Ended 2000 €'000</i>
<i>Turnover</i>	
From Other Operators	<i>94,808</i>
Transfer Charges to Retail	<i>531,889</i>
<i>Total Turnover</i>	<i>626,697</i>
Operating Costs	<i>506,425</i>
Exceptional Operating Costs	<i>67,162</i>
Holding (Gain)/Loss and Other Adjustments	<i>(12,241)</i>
Supplementary Depreciation	<i>10,223</i>
<i>Total Operating Costs</i>	<i>571,569</i>
<i>Return</i>	<i>55,128</i>

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### *RETURN ON MEAN CAPITAL EMPLOYED INCLUDING CCA ADJUSTMENTS*

	<i>Year Ended 2000 €'000</i>
<i>Return</i>	<i>55,128</i>
<i>Mean Capital Employed</i>	<i>457,660</i>
<i>Return on Mean Capital Employed</i>	<i>12%</i>
<i>Return on Turnover</i>	<i>9%</i>

The basic inland services covering call origination, call termination and domestic transit carry a current cost valuation. All other core network services included at their historical costs, as modified by the revaluation of assets shared with the basic inland services.

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## Core Network Business

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### STATEMENT OF MEAN CAPITAL EMPLOYED INCLUDING CCA ADJUSTMENTS

as at 31 March 2000

	<i>Year Ended</i> <i>2000</i> <i>€'000</i>
<i>Fixed assets</i>	
Tangible Fixed Assets	583,877
Intangible Fixed Assets	-
<i>Total Fixed Assets</i>	<u>583,877</u>
<i>Current Assets</i>	
Stocks	212
Debtors	137,997
Cash at Bank and in Hand	19,041
<i>Total Current Assets</i>	<u>157,250</u>
<i>Creditors</i>	<u>(235,450)</u>
<i>Provisions for Liabilities and Charges</i>	<u>(48,017)</u>
<i>Mean Capital Employed</i>	<u>457,660</u>

The basic inland services covering call origination, call termination and domestic transit carry a current cost valuation. All other core network services included at their historical costs, as modified by the revaluation of assets shared with the basic inland services.

## Core Network Business

### STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

#### FULLY ALLOCATED COSTS

For the year ended 31 March 2000

	HCA operating costs	HCA exceptions operating costs	Supplementary Costs depreciation	Holding (gain)/loss and other adjustments	Total CCA operating costs	CCA mean capital employed	Rate of return	Capital costs	Total operating and capital costs	Total unit volume	Average cost cents/Unit
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000		
<b>Switching</b>											
Subscriber Unit	15,824	5,209	-1,121	-1,280	18,632	27,477	12%	3,297	21,929	23,367,029	0.0938
Primary Switch	17,901	9,053	1,396	-2,907	25,443	35,659	12%	4,279	29,722	13,276,008	0.2239
Secondary Switch	12,908	6,387	83	-1,575	17,803	20,684	12%	2,482	20,285	9,688,066	0.2094
Tertiary Switch	13,116	4,744	-1,471	-540	15,849	9,379	12%	1,125	16,974	4,430,307	0.3831
<b>Transmission - Non-Length Dependent</b>											
RSU to Primary/Secondary Link	11,055	4,475	-611	-167	14,752	26,333	12%	3,160	17,912	14,056,573	0.1274
Primary to Primary Link	1,089	409	-46	-108	1,344	3,085	12%	370	1,714	1,110,892	0.1543
Primary to Secondary Link	1,412	547	-80	-108	1,771	3,752	12%	450	2,221	4,945,099	0.0449
Primary to tertiary Link	603	241	-45	-39	760	1,549	12%	186	946	3,245,035	0.0291
Secondary to Secondary Link	1,232	467	-32	-127	1,540	3,612	12%	433	1,973	1,299,700	0.1518
Secondary to Tertiary Link	2,387	912	-63	-263	2,973	7,285	12%	874	3,847	2,366,916	0.1625
Tertiary to Tertiary Link	0	0	0	0	0	0	12%	0	0	115,188	0.0000
<b>Transmission - Length Dependent</b>											
RSU to Primary/Secondary Length	13,767	3,740	7,143	-1,307	23,343	112,100	12%	13,452	36,795	14,056,573	0.2618
Primary to Primary Length	334	117	118	-19	550	2,034	12%	244	794	1,110,892	0.0715
Primary to Secondary Length	1,152	369	415	-56	1,880	7,474	12%	897	2,777	4,945,099	0.0562
Primary to tertiary Length	451	149	172	-31	741	2,897	12%	348	1,089	3,245,035	0.0335
Secondary to Secondary Length	683	173	246	-16	1,086	4,160	12%	499	1,585	1,299,700	0.1220
Secondary to Tertiary Length	919	243	318	-17	1,463	5,934	12%	712	2,175	2,366,916	0.0919
Tertiary to Tertiary Length	0	0	0	0	0	0	12%	0	0	115,188	0.0000
<b>Inland Directory Enquiries</b>											
Inland Directory Enquiries	17,019	2,737	-364	17	19,409	8,793	12%	1,055	20,464	(a)	(a)
International Directory Enquiries	2,119	326	-55	9	2,399	1,089	12%	131	2,530	(a)	(a)
Outpayments	283,754	0	10	-59	283,705	-72,436	12%	-8,692	275,013	(a)	(a)
International Transmission	26,319	4,437	68	-178	30,646	50,396	12%	6,047	36,693	(a)	(a)
Private Circuits Network	58,140	13,876	3,926	-3,107	72,835	177,345	12%	21,281	94,116	(a)	(a)
Interconnect connections and rentals	11,769	7,049	32	-156	18,694	7,740	12%	929	19,623	(a)	(a)
Other Costs	12,472	1,502	184	-207	13,951	11,321	12%	1,359	15,310	(a)	(a)
<b>Total</b>	<b>506,425</b>	<b>67,162</b>	<b>10,223</b>	<b>-12,241</b>	<b>571,569</b>	<b>457,660</b>		<b>54,919</b>	<b>626,488</b>	<b>n/a</b>	<b>n/a</b>

## *Inland Core Conveyance Network*

### *STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS*

#### LONG RUN INCREMENTAL COSTS

For the year ended 31 March 2000	Operating costs €'000	Mean capital employed €'000	Rate of return €'000	Capital costs €'000	Total operating & capital costs €'000	Total unit volume 000's	Average unit cost cents
<b>Switching</b>							
Subscriber Unit	6,538	11,022	12%	1,323	7,861	23,367,029	0.0336
Primary Switch	11,753	28,780	12%	3,454	15,207	13,276,008	0.1145
Secondary Switch	8,076	17,134	12%	2,056	10,132	9,688,066	0.1046
Tertiary Switch	10,525	10,364	12%	1,244	11,769	4,430,307	0.2656
<b>Transmission - Non-Length Dependent</b>							
RSU to Primary/Secondary Link	5,369	10,439	12%	1,253	6,622	14,056,573	0.0471
Primary to Primary Link	623	2,001	12%	240	863	1,110,892	0.0777
Primary to Secondary Link	717	2,029	12%	243	960	4,945,099	0.0194
Primary to tertiary Link	246	596	12%	72	318	3,245,035	0.0098
Secondary to Secondary Link	749	2,420	12%	290	1,039	1,299,700	0.0799
Secondary to Tertiary Link	1,362	4,504	12%	540	1,902	2,366,916	0.0804
Tertiary to Tertiary Link	0	0	12%	0	0	115,188	-
<b>Transmission - Length Dependent</b>							
RSU to Primary/Secondary Length	4,195	13,786	12%	1,654	5,849	14,056,573	0.0416
Primary to Primary Length	101	258	12%	31	132	1,110,892	0.0119
Primary to Secondary Length	339	974	12%	117	456	4,945,099	0.0092
Primary to tertiary Length	132	359	12%	43	175	3,245,035	0.0054
Secondary to Secondary Length	188	30	12%	4	192	1,299,700	0.0148
Secondary to Tertiary Length	256	490	12%	59	315	2,366,916	0.0133
Tertiary to Tertiary Length	0	0	12%	0	0	115,188	-

## *Inland Core Conveyance Network*

### *STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS*

#### DISTRIBUTED LONG RUN INCREMENTAL COSTS

For the year ended 31 March 2000	Operating costs €'000	Mean capital employed €'000	Rate of return €'000	Capital costs €'000	Total operating & capital costs €'000	Total unit volume 000's	Average cost cents
<b>Switching</b>							
Subscriber Unit	7,142	12,296	12%	1,476	8,618	23,367,029	0.0369
Primary Switch	12,966	33,426	12%	4,011	16,977	13,276,008	0.1279
Secondary Switch	9,000	19,877	12%	2,385	11,385	9,688,066	0.1175
Tertiary Switch	11,375	11,218	12%	1,346	12,721	4,430,307	0.2871
<b>Transmission - Non-Length Dependent</b>							
RSU to Primary/Secondary Link	8,913	19,068	12%	2,288	11,201	14,056,573	0.0797
Primary to Primary Link	863	2,676	12%	321	1,184	1,110,892	0.1066
Primary to Secondary Link	1,045	2,927	12%	351	1,396	4,945,099	0.0282
Primary to tertiary Link	388	1,003	12%	120	508	3,245,035	0.0157
Secondary to Secondary Link	1,033	3,225	12%	387	1,420	1,299,700	0.1093
Secondary to Tertiary Link	1,915	6,199	12%	744	2,659	2,366,916	0.1123
Tertiary to Tertiary Link	0	0	12%	0	0	115,188	-
<b>Transmission - Length Dependent</b>							
RSU to Primary/Secondary Length	13,289	71,484	12%	8,578	21,867	14,056,573	0.1556
Primary to Primary Length	304	1,384	12%	166	470	1,110,892	0.0423
Primary to Secondary Length	1,051	5,070	12%	608	1,659	4,945,099	0.0335
Primary to tertiary Length	410	1,966	12%	236	646	3,245,035	0.0199
Secondary to Secondary Length	626	2,699	12%	324	950	1,299,700	0.0731
Secondary to Tertiary Length	840	4,003	12%	480	1,320	2,366,916	0.0558
Tertiary to Tertiary Length	0	0	12%	0	0	115,188	-

## *Inland Core Conveyance Network*

### *STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS*

#### DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF INTER-INCREMENT FIXED COMMON AND JOINT COSTS

For the year ended 31 March 2000	Operating costs €'000	Mean capital employed €'000	Rate of return €'000	Capital costs €'000	Total operating & capital costs €'000	Total unit volume 000's	Average cost cents
<b>Switching</b>							
Subscriber Unit	9,073	16,788	12%	2,015	11,088	23,367,029	0.0475
Primary Switch	16,902	41,241	12%	4,949	21,851	13,276,008	0.1646
Secondary Switch	11,796	25,241	12%	3,029	14,825	9,688,066	0.1530
Tertiary Switch	12,279	12,355	12%	1,483	13,762	4,430,307	0.3106
<b>Transmission - Non-Length Dependent</b>							
RSU to Primary/Secondary Link	9,931	21,852	12%	2,622	12,553	14,056,573	0.0893
Primary to Primary Link	999	3,127	12%	375	1,374	1,110,892	0.1237
Primary to Secondary Link	1,203	3,435	12%	412	1,615	4,945,099	0.0327
Primary to tertiary Link	445	1,181	12%	142	587	3,245,035	0.0181
Secondary to Secondary Link	1,186	3,745	12%	449	1,635	1,299,700	0.1258
Secondary to Tertiary Link	2,194	7,168	12%	860	3,054	2,366,916	0.1290
Tertiary to Tertiary Link	0	0	12%	0	0	115,188	-
<b>Transmission - Length Dependent</b>							
RSU to Primary/Secondary Length	17,414	108,845	12%	13,061	30,475	14,056,573	0.2168
Primary to Primary Length	377	1,997	12%	240	617	1,110,892	0.0555
Primary to Secondary Length	1,315	7,327	12%	879	2,194	4,945,099	0.0444
Primary to tertiary Length	513	2,841	12%	341	854	3,245,035	0.0263
Secondary to Secondary Length	791	4,135	12%	496	1,287	1,299,700	0.0990
Secondary to Tertiary Length	1,055	5,848	12%	702	1,757	2,366,916	0.0742
Tertiary to Tertiary Length	0	0	12%	0	0	115,188	-

## *Notes to the Current Cost and Long Run Incremental Cost Financial Statements*

### *1. Statutory Accounts*

These Current Cost and Long Run Incremental Cost Statements (the Financial Statements), which are not statutory accounts within the meaning of the Companies Acts, 1963 to 1999, have been prepared in accordance with the Accounting Documents dated 1 December 2000. The Annual Report for the year ended 31 March 2000, on which the auditors made an unqualified report, which did not contain a statement under Section 40(1) of the Companies (Amendment) Act, 1983, has been delivered to the Companies Registration Office.

### *2. Comparative Information*

The Statements do not include comparative figures as this is the first year that these statements have been prepared.

### *3. Current Cost Accounting ("CCA") Adjustments*

The Current Cost Financial Statements are prepared under the Financial Capital Maintenance convention in accordance with the principles set out in the handbook "Accounting for the effects of changing prices", published in 1986 by the UK Accounting Standards Committee.

Set out below is a summary of the treatment of the CCA adjustments within the Statements:

Changes in fixed assets values are referred to as holding gains or losses arising during the year and are attributed between all Businesses, increments and elements on the same basis as the associated assets.

A supplementary depreciation adjustment on fixed assets arising from differences between Historical Cost Accounting ("HCA") and CCA valuations is also attributed between all Businesses, increments and elements on this basis.

#### 4. Reconciliation of Incremental Cost Results

		Switching				TRANSMISSION: NON LENGTH DEPENDANT							TRANSMISSION: LENGTH DEPENDANT						OTHER									
	Access Network	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link	RSU to Primary/Secondary Length	Primary to Primary Length	Primary to Secondary Length	Primary to tertiary Length	Secondary to Secondary Length	Secondary to Tertiary Length	Tertiary to Tertiary Length	Interconnection Specific	Inland Private Circuits	Intra Inland Core Conveyance Network fixed common and joint costs	Inland Core Conveyance Network	The Rest	Inter increment fixed common and joint costs	Total Group		
<b>Long run incremental costs</b>																												
Operating Costs	€'000	480,109	6,538	11,753	8,076	10,525	5,369	623	717	246	749	1,362	0	4,195	101	339	132	188	256	0	3,677	13,860	34,401	103,107	877,607	62,521	1,523,344	
Mean Capital Employed	€'000	1,285,977	11,022	28,780	17,134	10,364	10,439	2,001	2,029	596	2,420	4,504	0	13,786	258	974	359	30	490	0	(3,636)	42,340	162,761	306,651	651,734	201,091	2,445,453	
Total operating & capital costs	€'000	634,426	7,861	15,207	10,132	11,769	6,622	863	960	318	1,039	1,902	0	5,849	132	456	175	192	315	0	3,241	18,941	53,931	139,905	955,815	86,652	1,816,798	
Volume	m mins		23,367	13,276	9,688	4,430	14,057	1,111	4,945	3,245	1,300	2,367	115	14,057	1,111	4,945	3,245	1,300	2,367	115								
Unit cost	cents		0.0336	0.1145	0.1046	0.2656	0.0471	0.0777	0.0194	0.0098	0.0799	0.0804	-	0.0416	0.0119	0.0092	0.0054	0.0148	0.0133	-								
<b>Distributed long run incremental costs</b>																												
Operating Costs	€'000	480,109	7,142	12,966	9,000	11,375	8,913	863	1,045	388	1,033	1,915	0	13,289	304	1,051	410	626	840	0	3,786	28,161	0	103,107	877,608	62,520	1,523,344	
Mean Capital Employed	€'000	1,285,977	12,296	33,426	19,877	11,218	19,068	2,676	2,927	1,003	3,225	6,199	0	71,484	1,384	5,070	1,966	2,699	4,003	0	(3,534)	111,664	0	306,651	651,734	201,091	2,445,453	
Total operating & capital costs	€'000	634,426	8,618	16,977	11,385	12,721	11,201	1,184	1,396	508	1,420	2,659	0	21,867	470	1,659	646	950	1,320	0	3,362	41,562	0	139,905	955,816	86,651	1,816,798	
Volume	m mins		23,367	13,276	9,688	4,430	14,057	1,111	4,945	3,245	1,300	2,367	115	14,057	1,111	4,945	3,245	1,300	2,367	115								
Unit cost	cents		0.0369	0.1279	0.1175	0.2871	0.0797	0.1066	0.0282	0.0157	0.1093	0.1123	-	0.1556	0.0423	0.0335	0.0199	0.0731	0.0558	-								
<b>Distributed long run incremental costs plus recovery of inter-increment fixed common and joint costs</b>																												
Operating Costs	€'000	507,254	9,073	18,902	11,796	12,279	9,931	999	1,203	445	1,186	2,194	0	17,414	377	1,315	513	791	1,055	0	4,912	33,421	0	125,806	890,284	0	1,523,344	
Mean Capital Employed	€'000	1,388,899	16,788	41,241	25,241	12,355	21,852	3,127	3,435	1,181	3,745	7,168	0	108,845	1,997	7,327	2,841	4,135	5,848	0	(2,783)	145,863	0	410,206	646,348	0	2,445,453	
Total operating & capital costs	€'000	673,922	11,088	21,851	14,825	13,762	12,553	1,374	1,615	587	1,635	3,054	0	30,475	617	2,194	854	1,287	1,757	0	4,578	50,925	0	175,031	967,845	0	1,816,798	
Volume	m mins		23,367	13,276	9,688	4,430	14,057	1,111	4,945	3,245	1,300	2,367	115	14,057	1,111	4,945	3,245	1,300	2,367	115								
Unit cost	cents		0.0475	0.1646	0.1530	0.3106	0.0893	0.1237	0.0327	0.0181	0.1258	0.1290	-	0.2168	0.0555	0.0444	0.0263	0.0990	0.0742	-								

## 5. Reconciliation statement

for the year ended 31 March 2000	Turnover €'000	Operating cost €'000	Return €'000
<b>As per Report and Accounts</b>	1,968,61	1,682,72	78,593
Interest payable and similar charges			6,101
Share of profit from related companies			9,039
Minority interest			5,448
Tax on profit on ordinary activities			85,153
Dividend paid and proposed			101,560
Add inter-business turnover	1,563,949	1,563,949	0
<b>As per Historic Cost Separated Accounts for year ended 31 March 2000</b>	<b>3,532,566</b>	<b>3,246,672</b>	<b>285,894</b>
Elimination of inter Business transfer charges:			
Local Access Network Business	(824,441)	(824,441)	0
Core Network Business	(519,064)	(519,064)	0
<b>Sub-total</b>	<b>2,189,061</b>	<b>1,903,167</b>	<b>285,894</b>
Holding losses/(gains)	n/a	(39,988)	39,988
Supplementary depreciation	n/a	73,038	(73,038)
Net revaluation of fixed assets	n/a	n/a	n/a
<b>Group including CCA revaluation adjustments</b>	<b>2,189,061</b>	<b>1,936,211</b>	<b>252,844</b>
Less exceptional costs removed		(412,873)	
<b>Adjusted Group including CCA revaluation adjustments</b>	<b>2,189,061</b>	<b>1,523,344</b>	<b>252,844</b>
<b>Incremental cost statements</b>			
Access Network	See Note 4	480,109	
Inland Core Conveyance Network	See Note 4	103,107	
The Rest	See Note 4	877,607	
Inter increment fixed common and joint costs	See Note 4	62,521	
<b>As in Incremental Cost Statements</b>		<b>1,523,344</b>	

**Reconciliation statement (continued)**

<b>Mean capital employed for the year ended 31 March 2000</b>	2000 €'000	1999 €'000
<b>Shareholders' funds as in the Report and Accounts</b>	<b>1,477,273</b>	<b>1,358,193</b>
Reconciling items:		
Financial assets	(107,928)	(298,389)
Investments in associated undertakings	(21,266)	(5,205)
Interest receivable	(30,549)	(30,752)
Interest payable on long term bonds	311	9,942
Proposed dividend	66,234	53,738
Taxation	166,386	101,170
Long term liabilities	199,888	228,986
Current portion of long term liabilities	7,674	175,563
Provisions	5,132	77,246
Closing capital employed at 31 March	1,763,155	1,670,492
Opening balance at 1 April	1,670,492	
<b>Mean capital employed as per Historic Cost Separated Accounts for year ended 31 March 2000</b>	<b>1,716,824</b>	
Net revaluation of fixed assets	483,717	
<b>Adjusted Group including CCA revaluation adjustments</b>	<b>2,200,541</b>	
Less exceptional costs provision removed	244,912	
<b>Mean capital employed including current cost adjustments</b>	<b>2,445,453</b>	
<b>Incremental cost statements</b>		
Access Network	1,285,977	
Inland Core Conveyance Network	306,651	
The Rest	651,734	
Inter increment fixed common and joint costs	201,091	
<b>As in Incremental Cost Statements</b>	<b>2,445,453</b>	

**Statement of Costs of Network Services**

CCA FULLY ALLOCATED COSTS

	SWITCHING				RSU to Primary/Secondary Link	NON LENGTH DEPENDANT						RSU to Primary/Secondary Link	LENGTH DEPENDANT					
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch		Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link		Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
<b>Unit cost</b>	0.0938	0.2239	0.2094	0.3831	0.1274	0.1543	0.0449	0.0291	0.1518	0.1625	0.0000	0.2618	0.0715	0.0562	0.0335	0.1220	0.0919	0.0000
<b>Total Costs</b>	21,929	29,722	20,285	16,974	17,912	1,714	2,221	946	1,973	3,847	0	36,795	794	2,777	1,089	1,585	2,175	0
<b>Routing Factors:-</b>																		
<b>Retail Services</b>																		
Local Calls	2.0000	0.998	0.5840	0.013	1.2320	0.140	0.3480	0.025	0.0810	0.001	0.000	1.232	0.140	0.3480	0.025	0.0810	0.001	0.000
Trunk Calls	2.0001	1.330	1.0290	0.562	1.3890	0.009	0.5490	0.738	0.2380	0.386	0.015	1.389	0.009	0.5490	0.738	0.2380	0.386	0.015
International Calls	1.0000	0.691	0.4511	0.000	0.6560	0.000	0.1420	0.549	0.0000	0.451	0.026	0.656	0.000	0.1420	0.549	0.0000	0.451	0.026
Calls To Mobile	1.0000	0.692	0.5410	0.832	0.6810	0.000	0.1040	0.588	0.0430	0.331	0.022	0.681	0.000	0.1040	0.588	0.0430	0.331	0.022
Calls to Internet	2.0000	0.989	0.5830	0.000	0.6440	0.190	0.2800	0.000	0.1020	0.000	0.000	0.644	0.190	0.2800	0.000	0.1020	0.000	0.000
Inland Directory Enquiries	1.0000	0.682	0.4781	0.000	0.6650	0.000	0.1610	0.522	0.0000	0.478	0.026	0.665	0.000	0.1610	0.522	0.0000	0.478	0.026
International Directory Enquiries	1.0000	0.682	0.4781	0.000	0.6650	0.000	0.1610	0.522	0.0000	0.478	0.026	0.665	0.000	0.1610	0.522	0.0000	0.478	0.026
Supplemental Services	1.9681	1.171	1.3540	0.197	0.9900	0.000	1.0150	0.156	0.3440	0.207	0.005	0.990	0.000	1.0150	0.156	0.3440	0.207	0.005
Remaining Activities	1.7631	1.153	1.1710	0.624	0.9120	0.000	0.7810	0.362	0.1060	0.648	0.016	0.912	0.000	0.7810	0.362	0.1060	0.648	0.016
<b>RIO Services</b>																		
Call Termination	1.0000	0.692	0.9080	0.275	0.6400	0.006	0.3890	0.181	0.1240	0.176	0.007	0.640	0.006	0.3890	0.181	0.1240	0.176	0.007
Call Origination	1.0000	0.666	0.6620	0.290	0.6700	0.001	0.3160	0.151	0.0100	0.140	0.008	0.670	0.001	0.3160	0.151	0.0100	0.140	0.008
Transit	0.0000	0.500	1.0000	0.500	0.0000	0.000	0.5000	0.000	0.0000	0.500	0.013	0.000	0.000	0.5000	0.000	0.0000	0.500	0.013
Interconnect Ancilliary	0.0000	0.000	0.1320	0.992	0.0000	0.000	0.0000	0.000	0.0000	0.124	0.026	0.000	0.000	0.0000	0.000	0.0000	0.124	0.026
<b>Subset of Call Origination</b>																		
Primary	1.0000	0.540	0.5290	0.000	0.5920	0.002	0.0660	0.000	0.0000	0.000	0.000	0.592	0.002	0.0660	0.000	0.0000	0.000	0.000
Tandem	1.0000	0.784	0.7820	0.338	0.7230	0.000	0.5490	0.235	0.0170	0.104	0.009	0.723	0.000	0.5490	0.235	0.0170	0.104	0.009
Double Tandem < 50km	1.0000	0.798	0.6260	0.457	0.6270	0.000	0.3540	0.444	0.0700	0.013	0.012	0.627	0.000	0.3540	0.444	0.0700	0.013	0.012
Double Tandem > 50km	1.0000	0.681	0.7250	0.918	0.7520	0.000	0.3940	0.287	0.0110	0.631	0.024	0.752	0.000	0.3940	0.287	0.0110	0.631	0.024
<b>Subset of Call Termination</b>																		
Primary	1.0000	0.514	0.6440	0.000	0.5680	0.018	0.1360	0.001	0.0040	0.000	0.000	0.568	0.018	0.1360	0.001	0.0040	0.000	0.000
Tandem	1.0000	0.820	0.9270	0.251	0.6750	0.000	0.6550	0.164	0.0910	0.087	0.007	0.675	0.000	0.6550	0.164	0.0910	0.087	0.007
Double Tandem < 50km	1.0000	0.808	0.7680	0.531	0.4690	0.000	0.2780	0.531	0.2300	0.068	0.014	0.469	0.000	0.2780	0.531	0.2300	0.068	0.014
Double Tandem > 50km	1.0000	0.695	1.3100	0.648	0.7380	0.000	0.3270	0.368	0.3290	0.628	0.017	0.738	0.000	0.3270	0.368	0.3290	0.628	0.017

**Statement of Costs of Network Services**

CCA FULLY ALLOCATED COSTS

	SWITCHING				RSU to Primary/Secondary Link	NON LENGTH DEPENDANT						RSU to Primary/Secondary Link	LENGTH DEPENDANT					
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch		Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link		Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
<b>Average Service Cost per Unit (cents):-</b>																		
<b>Retail Services</b>																		
Local Calls	0.1877	0.2235	0.1224	0.0051	0.1570	0.0216	0.0156	0.0007	0.0124	0.0002	0.0000	0.3224	0.0100	0.0195	0.0008	0.0099	0.0001	0.0000
Trunk Calls	0.1877	0.2978	0.2154	0.2153	0.1771	0.0014	0.0247	0.0215	0.0362	0.0628	0.0000	0.3637	0.0007	0.0308	0.0247	0.0291	0.0355	0.0000
International Calls	0.0938	0.1546	0.0944	0.3831	0.0835	0.0000	0.0064	0.0160	0.0000	0.0733	0.0000	0.1716	0.0000	0.0080	0.0184	0.0000	0.0415	0.0000
Calls To Mobile	0.0938	0.1549	0.1134	0.3188	0.0868	0.0000	0.0047	0.0171	0.0065	0.0538	0.0000	0.1784	0.0000	0.0058	0.0197	0.0052	0.0304	0.0000
Calls to Internet	0.1877	0.2214	0.1221	0.0000	0.0821	0.0293	0.0126	0.0000	0.0155	0.0000	0.0000	0.1686	0.0136	0.0157	0.0000	0.0125	0.0000	0.0000
Inland Directory Enquiries	0.0938	0.1527	0.1002	0.3831	0.0847	0.0000	0.0072	0.0152	0.0000	0.0778	0.0000	0.1741	0.0000	0.0090	0.0175	0.0000	0.0440	0.0000
International Directory Enquiries	0.0938	0.1527	0.1002	0.3831	0.0847	0.0000	0.0072	0.0152	0.0000	0.0778	0.0000	0.1741	0.0000	0.0090	0.0175	0.0000	0.0440	0.0000
Supplemental Services	0.1847	0.2622	0.2834	0.0756	0.1262	0.0000	0.0456	0.0045	0.0522	0.0336	0.0000	0.2591	0.0000	0.0570	0.0052	0.0420	0.0190	0.0000
Remaining Activities	0.1655	0.2581	0.2452	0.2389	0.1162	0.0000	0.0351	0.0106	0.0160	0.1054	0.0000	0.2388	0.0000	0.0439	0.0122	0.0129	0.0596	0.0000
<b>RIO Services</b>																		
Call Termination	0.0938	0.1550	0.1901	0.1055	0.0816	0.0009	0.0175	0.0053	0.0189	0.0285	0.0000	0.1675	0.0004	0.0218	0.0061	0.0152	0.0161	0.0000
Call Origination	0.0938	0.1490	0.1385	0.1111	0.0854	0.0002	0.0142	0.0044	0.0016	0.0227	0.0000	0.1754	0.0001	0.0177	0.0051	0.0013	0.0128	0.0000
Transit	0.0000	0.1119	0.2094	0.1916	0.0000	0.0000	0.0225	0.0000	0.0000	0.0813	0.0000	0.0000	0.0000	0.0281	0.0000	0.0000	0.0459	0.0000
Interconnect Ancilliary	0.0000	0.0000	0.0276	0.3802	0.0000	0.0000	0.0000	0.0000	0.0000	0.0202	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0114	0.0000
<b>Subset of Call Origination</b>																		
Primary	0.0938	0.1208	0.1107	0.0000	0.0755	0.0004	0.0030	0.0000	0.0000	0.0000	0.0000	0.1551	0.0002	0.0037	0.0000	0.0000	0.0000	0.0000
Tandem	0.0938	0.1755	0.1637	0.1297	0.0922	0.0000	0.0247	0.0068	0.0025	0.0168	0.0000	0.1894	0.0000	0.0308	0.0079	0.0020	0.0095	0.0000
Double Tandem < 50km	0.0938	0.1786	0.1310	0.1752	0.0800	0.0000	0.0159	0.0129	0.0106	0.0021	0.0000	0.1643	0.0000	0.0199	0.0149	0.0085	0.0012	0.0000
Double Tandem > 50km	0.0938	0.1525	0.1517	0.3516	0.0958	0.0000	0.0177	0.0084	0.0017	0.1025	0.0000	0.1969	0.0000	0.0221	0.0096	0.0014	0.0580	0.0000
<b>Subset of Call Termination</b>																		
Primary	0.0938	0.1150	0.1348	0.0001	0.0724	0.0027	0.0061	0.0000	0.0006	0.0000	0.0000	0.1488	0.0013	0.0076	0.0000	0.0004	0.0000	0.0000
Tandem	0.0938	0.1835	0.1941	0.0963	0.0860	0.0000	0.0294	0.0048	0.0139	0.0141	0.0000	0.1767	0.0000	0.0368	0.0055	0.0112	0.0080	0.0000
Double Tandem < 50km	0.0938	0.1809	0.1608	0.2033	0.0597	0.0000	0.0125	0.0155	0.0350	0.0111	0.0000	0.1227	0.0000	0.0156	0.0178	0.0281	0.0063	0.0000
Double Tandem > 50km	0.0938	0.1557	0.2742	0.2481	0.0941	0.0000	0.0147	0.0107	0.0500	0.1021	0.0000	0.1933	0.0000	0.0184	0.0123	0.0401	0.0577	0.0000

## Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

	Gradient - PEAK	Gradient - OFF PAEK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND
<b>Average Service Cost per Unit (cents):-</b>						
<b>Retail Services</b>						
Local Calls	1.3187	0.7343	0.7190	1.4625	0.8144	0.7974
Trunk Calls	1.3187	0.7343	0.7190	2.2740	1.2662	1.2398
International Calls	1.3187	0.7343	0.7190	1.5095	0.8405	0.8230
Calls To Mobile	1.3187	0.7343	0.7190	1.4367	0.8000	0.7833
Calls to Internet	1.3187	0.7343	0.7190	1.1616	0.6468	0.6334
Inland Directory Enquiries	1.3187	0.7343	0.7190	1.5289	0.8513	0.8336
International Directory E	1.3187	0.7343	0.7190	1.5289	0.8513	0.8336
Supplemental Services	1.3187	0.7343	0.7190	1.9126	1.0650	1.0428
Remaining Activities	1.3187	0.7343	0.7190	2.0549	1.1442	1.1204
Internet Service Supply	1.3187	0.7343	0.7190	0.0000	0.0000	0.0000
Leased Lines	1.3187	0.7343	0.7190	0.0000	0.0000	0.0000
Call Origination	1.3187	0.7343	0.7190	1.0988	0.6118	0.5991
Transit	1.3187	0.7343	0.7190	0.9108	0.5071	0.4966
Interconnect Ancilliary	1.3187	0.7343	0.7190	0.5794	0.3226	0.3159
<b>Subset of Call Origination</b>						
Primary	1.3187	0.7343	0.7190	0.7426	0.4135	0.4049
Tandem	1.3187	0.7343	0.7190	1.2467	0.6942	0.6798
Double Tandem < 50km	1.3187	0.7343	0.7190	1.1985	0.6674	0.6535
Double Tandem > 50km	1.3187	0.7343	0.7190	1.6665	0.9280	0.9086
<b>Subset of Call Termination</b>						
Primary	1.3187	0.7343	0.7190	0.7698	0.4286	0.4197
Tandem	1.3187	0.7343	0.7190	1.2584	0.7007	0.6861
Double Tandem < 50km	1.3187	0.7343	0.7190	1.2700	0.7072	0.6924
Double Tandem > 50km	1.3187	0.7343	0.7190	1.8005	1.0026	0.9817

## Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT COSTS

Unit cost cents	SWITCHING				NON LENGTH DEPENDANT							LENGTH DEPENDANT						
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
	0.0475	0.1646	0.1530	0.3106	0.0893	0.1237	0.0327	0.0181	0.1258	0.1290	0.0000	0.2168	0.0555	0.0444	0.0263	0.0990	0.0742	0.0000
<b>Total Cost '000</b>	<b>11,088</b>	<b>21,851</b>	<b>14,825</b>	<b>13,762</b>	<b>12,553</b>	<b>1,374</b>	<b>1,615</b>	<b>587</b>	<b>1,635</b>	<b>3,054</b>	<b>0</b>	<b>30,475</b>	<b>617</b>	<b>2,194</b>	<b>854</b>	<b>1,287</b>	<b>1,757</b>	<b>0</b>

### Routing Factors:-

#### Retail Services

Local Calls	2.0000.998	0.5840.013	1.2320.140	0.3480.025	0.0810.001	0.000	1.2320.140	0.3480.025	0.0810.001	0.000
Trunk Calls	2.0001.330	1.0290.562	1.3890.009	0.5490.738	0.2380.386	0.015	1.3890.009	0.5490.738	0.2380.386	0.015
International Calls	1.0000.691	0.4511.000	0.6560.000	0.1420.549	0.0000.451	0.026	0.6560.000	0.1420.549	0.0000.451	0.026
Calls To Mobile	1.0000.692	0.5410.832	0.6810.000	0.1040.588	0.0430.331	0.022	0.6810.000	0.1040.588	0.0430.331	0.022
Calls to Internet	2.0000.989	0.5830.000	0.6440.190	0.2800.000	0.1020.000	0.000	0.6440.190	0.2800.000	0.1020.000	0.000
Inland Directory E	1.0000.682	0.4781.000	0.6650.000	0.1610.522	0.0000.478	0.026	0.6650.000	0.1610.522	0.0000.478	0.026
International Direc	1.0000.682	0.4781.000	0.6650.000	0.1610.522	0.0000.478	0.026	0.6650.000	0.1610.522	0.0000.478	0.026
Supplemental Serv	1.9681.171	1.3540.197	0.9900.000	1.0150.156	0.3440.207	0.005	0.9900.000	1.0150.156	0.3440.207	0.005
Remaining Activities	1.7631.153	1.1710.624	0.9120.000	0.7810.362	0.1060.648	0.016	0.9120.000	0.7810.362	0.1060.648	0.016
Internet Service Supply										
Leased Lines										

#### RIO Services

Call Termination	1.0000.692	0.9080.275	0.6400.006	0.3890.181	0.1240.176	0.007	0.6400.006	0.3890.181	0.1240.176	0.007
Call Origination	1.0000.666	0.6620.290	0.6700.001	0.3160.151	0.0100.140	0.008	0.6700.001	0.3160.151	0.0100.140	0.008
Transit	0.0000.500	1.0000.500	0.0000.000	0.5000.000	0.0000.500	0.013	0.0000.000	0.5000.000	0.0000.500	0.013
Interconnect Ancillary	0.0000.000	0.1320.992	0.0000.000	0.0000.000	0.0000.124	0.026	0.0000.000	0.0000.000	0.0000.124	0.026

#### Subset of Call Origination

Primary	1.0000.540	0.5290.000	0.5920.002	0.0660.000	0.0000.000	0.000	0.5920.002	0.0660.000	0.0000.000	0.000
Tandem	1.0000.784	0.7820.338	0.7230.000	0.5490.235	0.0170.104	0.009	0.7230.000	0.5490.235	0.0170.104	0.009
Double Tandem < :	1.0000.798	0.6260.457	0.6270.000	0.3540.444	0.0700.013	0.012	0.6270.000	0.3540.444	0.0700.013	0.012
Double Tandem > :	1.0000.681	0.7250.918	0.7520.000	0.3940.287	0.0110.631	0.024	0.7520.000	0.3940.287	0.0110.631	0.024

#### Subset of Call Termination

Primary	1.0000.514	0.6440.000	0.5680.018	0.1360.001	0.0040.000	0.000	0.5680.018	0.1360.001	0.0040.000	0.000
Tandem	1.0000.820	0.9270.251	0.6750.000	0.6550.164	0.0910.087	0.007	0.6750.000	0.6550.164	0.0910.087	0.007
Double Tandem < :	1.0000.808	0.7680.531	0.4690.000	0.2780.531	0.2300.068	0.014	0.4690.000	0.2780.531	0.2300.068	0.014
Double Tandem > :	1.0000.695	1.3100.648	0.7380.000	0.3270.368	0.3290.628	0.017	0.7380.000	0.3270.368	0.3290.628	0.017

## Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT COSTS

	SWITCHING				NON LENGTH DEPENDANT							LENGTH DEPENDANT						
	Subscriber Unit	Primary Switch	Secondary Switch	Tertiary Switch	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link	RSU to Primary/Secondary Link	Primary to Primary Link	Primary to Secondary Link	Primary to Tertiary Link	Secondary to Secondary Link	Secondary to Tertiary Link	Tertiary to Tertiary Link
<b>Average unit service cost</b>																		
<b>Retail Services</b>																		
Local Ca cents	0.0949	0.1643	0.0894	0.0041	0.1100	0.0173	0.0114	0.0005	0.0102	0.0002	0.0000	0.2670	0.0078	0.0154	0.0007	0.0081	0.0001	0.0000
Trunk Call cents	0.0949	0.2189	0.1574	0.1746	0.1241	0.0011	0.0179	0.0133	0.0300	0.0498	0.0000	0.3012	0.0005	0.0244	0.0194	0.0236	0.0287	0.0000
Internatio cents	0.0475	0.1137	0.0690	0.3106	0.0585	0.0000	0.0046	0.0099	0.0000	0.0582	0.0000	0.1421	0.0000	0.0063	0.0144	0.0000	0.0335	0.0000
Calls To M cents	0.0474	0.1139	0.0829	0.2585	0.0609	0.0000	0.0034	0.0106	0.0054	0.0427	0.0000	0.1477	0.0000	0.0046	0.0155	0.0042	0.0246	0.0000
Calls to In cents	0.0949	0.1628	0.0892	0.0000	0.0575	0.0235	0.0091	0.0000	0.0128	0.0000	0.0000	0.1396	0.0105	0.0124	0.0000	0.0101	0.0000	0.0000
Inland Dir cents	0.0475	0.1123	0.0732	0.3106	0.0594	0.0000	0.0052	0.0094	0.0000	0.0617	0.0000	0.1442	0.0000	0.0071	0.0137	0.0000	0.0355	0.0000
Internatio cents	0.0475	0.1123	0.0732	0.3106	0.0594	0.0000	0.0052	0.0094	0.0000	0.0617	0.0000	0.1442	0.0000	0.0071	0.0137	0.0000	0.0355	0.0000
Suppleme cents	0.0934	0.1927	0.2071	0.0613	0.0884	0.0000	0.0332	0.0028	0.0433	0.0267	0.0000	0.2146	0.0000	0.0450	0.0041	0.0341	0.0154	0.0000
Remaining cents	0.0837	0.1898	0.1792	0.1937	0.0815	0.0000	0.0255	0.0066	0.0133	0.0836	0.0000	0.1978	0.0000	0.0347	0.0095	0.0104	0.0481	0.0000
Internet St cents	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Leased Li cents	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<b>RIO Services</b>																		
Call Tern cents	0.0475	0.1139	0.1389	0.0855	0.0572	0.0007	0.0127	0.0033	0.0156	0.0226	0.0000	0.1388	0.0003	0.0173	0.0048	0.0123	0.0130	0.0000
Call Origir cents	0.0475	0.1096	0.1012	0.0901	0.0598	0.0001	0.0103	0.0027	0.0013	0.0180	0.0000	0.1452	0.0001	0.0140	0.0040	0.0010	0.0104	0.0000
Transit cents	0.0000	0.0823	0.1530	0.1553	0.0000	0.0000	0.0163	0.0000	0.0000	0.0645	0.0000	0.0000	0.0000	0.0222	0.0000	0.0000	0.0371	0.0000
Interconnc cents	0.0000	0.0000	0.0202	0.3082	0.0000	0.0000	0.0000	0.0000	0.0000	0.0160	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0092	0.0000
<b>Subset of Call Origination</b>																		
Primary cents	0.0475	0.0888	0.0809	0.0000	0.0529	0.0003	0.0022	0.0000	0.0000	0.0000	0.0000	0.1284	0.0001	0.0029	0.0000	0.0000	0.0000	0.0000
Tandem cents	0.0475	0.1290	0.1196	0.1051	0.0646	0.0000	0.0179	0.0042	0.0021	0.0134	0.0000	0.1568	0.0000	0.0244	0.0062	0.0016	0.0077	0.0000
Double T cents	0.0475	0.1313	0.0957	0.1421	0.0560	0.0000	0.0115	0.0080	0.0088	0.0017	0.0000	0.1360	0.0000	0.0157	0.0117	0.0069	0.0010	0.0000
Double T cents	0.0475	0.1121	0.1109	0.2850	0.0672	0.0000	0.0129	0.0052	0.0014	0.0814	0.0000	0.1631	0.0000	0.0175	0.0075	0.0011	0.0468	0.0000
<b>Subset of Call Termination</b>																		
Primary cents	0.0475	0.0845	0.0985	0.0001	0.0507	0.0022	0.0044	0.0000	0.0005	0.0000	0.0000	0.1232	0.0010	0.0060	0.0000	0.0004	0.0000	0.0000
Tandem cents	0.0475	0.1349	0.1419	0.0781	0.0603	0.0000	0.0214	0.0030	0.0115	0.0112	0.0000	0.1464	0.0000	0.0291	0.0043	0.0091	0.0065	0.0000
Double T cents	0.0475	0.1330	0.1175	0.1648	0.0419	0.0000	0.0091	0.0096	0.0290	0.0088	0.0000	0.1016	0.0000	0.0123	0.0140	0.0228	0.0051	0.0000
Double T cents	0.0475	0.1144	0.2004	0.2012	0.0659	0.0000	0.0107	0.0067	0.0414	0.0811	0.0000	0.1601	0.0000	0.0145	0.0097	0.0326	0.0467	0.0000


## Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT COSTS

		Gradient - PEAK	Gradient - OFF PEEK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND
<b>Average unit service cost</b>							
<b>Retail Services</b>							
Local Call	cents	1.3187	0.7343	0.7190	1.0568	0.5885	0.5762
Trunk Call	cents	1.3187	0.7343	0.7190	1.6879	0.9399	0.9203
International	cents	1.3187	0.7343	0.7190	1.1452	0.6377	0.6244
Calls To M	cents	1.3187	0.7343	0.7190	1.0843	0.6038	0.5912
Calls to In	cents	1.3187	0.7343	0.7190	0.8209	0.4571	0.4476
Inland Direct	cents	1.3187	0.7343	0.7190	1.1604	0.6461	0.6327
International	cents	1.3187	0.7343	0.7190	1.1604	0.6461	0.6327
Supplemental	cents	1.3187	0.7343	0.7190	1.4006	0.7799	0.7636
Remaining	cents	1.3187	0.7343	0.7190	1.5262	0.8498	0.8321
Internet Service	cents	1.3187	0.7343	0.7190	0.0000	0.0000	0.0000
Leased Lines	cents	1.3187	0.7343	0.7190	0.0000	0.0000	0.0000
<b>RIO Services</b>							
<b>RIO Services</b>							
Call Termination	cents	1.3187	0.7343	0.7190	0.9025	0.5025	0.4921
Call Origination	cents	1.3187	0.7343	0.7190	0.8114	0.4518	0.4424
Transit	cents	1.3187	0.7343	0.7190	0.6999	0.3898	0.3816
Interconnection	cents	1.3187	0.7343	0.7190	0.4663	0.2597	0.2543
<b>Subset of Call Origination</b>							
Primary	cents	1.3187	0.7343	0.7190	0.5328	0.2967	0.2905
Tandem	cents	1.3187	0.7343	0.7190	0.9234	0.5142	0.5035
Double Termination	cents	1.3187	0.7343	0.7190	0.8887	0.4949	0.4846
Double Termination	cents	1.3187	0.7343	0.7190	1.2654	0.7046	0.6899
<b>Subset of Call Termination</b>							
Primary	cents	1.3187	0.7343	0.7190	0.5526	0.3077	0.3013
Tandem	cents	1.3187	0.7343	0.7190	0.9297	0.5177	0.5069
Double Termination	cents	1.3187	0.7343	0.7190	0.9453	0.5264	0.5154
Double Termination	cents	1.3187	0.7343	0.7190	1.3619	0.7584	0.7426

## Statement of Costs of Network Services

DISTRIBUTED LONG RUN INCREMENTAL COSTS PLUS RECOVERY OF FIXED COMMON AND JOINT



<b>Gradient - PEAK</b>
<b>Gradient - OFF PAEK</b>
<b>Gradient - WEEKEND</b>
Call Conveyance Cost Per Minute - Peak
Call Conveyance Cost Per Minute - OFF PEAK
Call Conveyance Cost Per Minute - WEEKEND

## Definitions of the Businesses

The full definition of the Businesses and their Activities are set out on pages 7 to 9 of the Introduction to the Accounting Documents. They are summarised as follows:

### *Local Access Network*

The Local Access Network provides connections to the Core Network. The accounts for the Local Access Network Business include the costs and capital employed associated with providing and maintaining the network. For Accounting Separation, dedicated components of the network including, for example, the line concentrators and/or exchanges. The Core Network Business includes all other network components. Customer line rental is a service provided by the Retail Business. The revenue from line rental and connections provided to end users is therefore recorded in the Retail Business.

### *Core Network*

The Core Network Business provides a range of interconnection services internally and externally with customers of the same or another operator, order to allow the customer of one operator to communicate with another operator. These services include access services provided by another operator. The revenues of the Core Network Business will derive from the sale of interconnection services to the Retail Business of *eircom* and to other operators. Network charges to other operators and *eircom* Retail Business are based on their consumption of bundles of Network Elements into standard network services. The unit costs for components are based on the full allocated costs of components including a cost of capital.

The Core Network also includes payments to other operators, dedicated transmission and capacity for leased lines and the provision of directory enquiry services.

## *Definitions of Increments*

The increments are defined for the calculation of long run incremental costs. These are:

- Access Network
- Inland Core Conveyance Network
- The Rest

The Access Network increment has the same definition as the Local Access Network provided above. The remaining increments are defined below.

### *Inland Core Conveyance Network*

The Core Network is defined as the PSTN and ISDN switched network comprising primary, secondary and tertiary, and traffic-related switches (co-located subscriber units). It includes all transmission routes connecting these switch nodes including capacity provided for leased lines and other data services. The Inland Core Conveyance Network also includes the specific costs of carrier services. The boundary between the Inland Core Conveyance Network and the Access Network has been defined by the ODTR and lying at the Inland Core Conveyance Network side of the line card lying at the remote or co-located subscriber units.

The Inland Core Conveyance Network is further sub-divided into the following network elements:

#### *Switching components*

- Subscriber unit;
- Primary switch;
- Secondary switch;
- Tertiary switch;

*Transmission components*

Remote subscriber unit to Primary/Secondary switch transmission link – non length related;

Primary to Primary switch transmission link – non length related;

Primary to Secondary switch transmission link – non length related;

Primary to Tertiary switch transmission link – non length related;

Secondary to Secondary switch transmission link – non length related;

Secondary to Tertiary switch transmission link – non length related;

Tertiary to Tertiary switch transmission link – non length related;

Remote subscriber unit to Primary/Secondary switch transmission link – length related;

Primary to Primary switch transmission link – length related;

Primary to Secondary switch transmission link – length related;

Primary to Tertiary switch transmission link – length related;

Secondary to Secondary switch transmission link – length related;

Secondary to Tertiary switch transmission link – length related;

Tertiary to Tertiary switch transmission link – length related;

*Non-conveyance components*

Leased lines and data transmission; and

Interconnection specific costs.

### *The Rest*

The Rest comprises the costs and net investments of *eircom* that are not included in the Access Network or Inland Core Conveyance Network. It includes all retail activities and those parts of the network not included in Access or Inland Core Conveyance Networks.

## Other Definitions

### *Long run incremental cost*

Long run incremental cost is the additional cost that would be caused in the long run by the addition of the defined increment given that all other outputs are already produced. In the long run, this definition can be reversed so that long run incremental costs can be defined as those costs that are avoided by not producing that increment of output given that all other outputs are produced.

### *Distributed long run incremental cost*

Distributed long run incremental cost is equal to the sum of the long run incremental cost of network elements (e.g. subscriber and primary switch elements) and of network mark up (e.g. subscriber and primary switch elements) which lie entirely within the Inland Core Conveyance Network on the long run incremental cost of network elements. The mark up is performed at a detailed cost category level such that fixed common and joint costs are recovered only on the incremental costs of network elements to which they are common. After recovery, the sum of long run distributed incremental costs of Inland Core Conveyance Network elements is equal to the long run incremental cost of Inland Core Conveyance Network as a whole.

### *Distributed long run incremental costs plus recovery of inter-increment fixed common and joint cost*

Distributed long run incremental cost plus recovery of inter-increment fixed common and joint costs (i.e. common to Access Network, Core Conveyance Network and The Rest) is the sum of the long run incremental cost of increments (and within the Inland Core Conveyance Network, on the distributed long run incremental cost of increments) plus a mark up of inter-increment fixed common and joint costs. The mark up is performed at a detailed cost category level such that fixed common and joint costs are recovered only on the long run incremental costs of Access Network, Inland Core Conveyance Network, and The Rest. After recovery, the sum of long run incremental costs plus recovery of inter-increment fixed common and joint costs of Access Network, Inland Core Conveyance Network and The Rest is equal to the total increment of the Network as a whole.