

Current Cost and Long Run Incremental Cost Statements

FOR YEAR ENDED 31 MARCH 2001

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 1st 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 (the ‘Decision Notices’):

- D5/99, D10/99 ‘Accounting Separation and Publication of Financial Information for Telecommunications Operators’, dated May 1999 and August 1999 respectively
- D8/99 ‘Costing methodologies for use in Accounting Separation’, dated July 1999
- D9/00 and D10/00 ‘Accounting Separation and Publication of Financial Information for Telecommunications Operators’, dated August 2000 and September 2000 respectively
- D2/01 ‘Accounting Separation for Internet Service Provision and Report on Investigation into Indigo and *eircom.net*’ and D7/01 ‘*eircom*’s Reference Interconnection Offer & Accounting Separation and Publication of Financial Information for Telecommunications Operators’, dated February 2001 and April 2001 respectively
- D12/01 ‘Revision of timetable for publication of separated accounts and financial information by *eircom*’

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 30th November 2001 and the Decision Notices insofar as they apply to the 2000/2001 accounts.

Introduction (Cont'd.)

Regulatory Decisions

- (a) The basis on which these Current Cost and Long Run Incremental Cost Statements, as published herein, were prepared, is currently the subject of an appeal by *eircom* against ODTR Decision Notice D7/01 (ODTR 01/24). *eircom* is publishing these financial statements on the basis directed by the ODTR without prejudice to its appeal.
- (b) ODTR, in Decision Notice D7/01, has directed *eircom* to adopt the following treatment for the items listed below:
 - (i) requirement to attribute all Line Card costs to the Local Access Network
 - (ii) requirement to charge the call set-up component of conveyance charges on a per-minute basis
 - (iii) requirement to use prescribed asset lives in respect of the calculation of depreciation and net book values
 - (iv) requirement to exclude exceptional costs from the Core Network
 - (v) requirement to attribute net interconnect working capital to services using a single apportionment base
 - (vi) requirement to include cost of capital at 12%.

The Board of *eircom* disagrees with the treatment directed by the ODTR and believes that such treatments are inappropriate. Their objections are set out in the relevant appeal. They also believe that the consequent amendment of certain balances extracted from the general ledgers and other accounting records of the company departs from the general principles for the preparation of “top down” separated financial statements.

- (c) *eircom* disagrees with the treatment directed by the ODTR, for the reasons outlined in (d) to (i) below, because *eircom* believes that its method of accounting represents the most appropriate accounting treatment. Notwithstanding this, *eircom* has complied with this Decision Notice D7/01 and has followed in these financial statements the accounting treatment directed by ODTR.
- (d) As part of the ongoing process to improve the methodologies underpinning the financial statements, *eircom* undertook a two-stage process to determine appropriate apportionment bases:

Independent Consultants were engaged to develop appropriate definitions of cost causality, resulting in the segmentation in principle of exchange costs into three categories; a) line sensitive b) call sensitive c) traffic sensitive

eircom's exchange manufacturers were engaged to apply these definitions to the specific equipment components of *eircom's* exchanges in order to derive the appropriate basis of attribution for exchange costs.

Introduction (Cont'd.)

- (e) As a result of the above analysis, both suppliers identified elements of the line card and other exchange component equipment, which are related to call set-up. Consequently, *eircom* believe it appropriate to attribute a share of the line card costs to the Core Network Business and to charge the costs associated with call set-up to services on the basis of the number of successful call attempts.
- (f) The Board of *eircom*, in approving the statutory financial statements for the year ended 31 March 2001, duly considered the asset lives used in the calculation of the depreciation charge, included in the statutory financial statements, to be appropriate. Consequently, the direction by ODTR to use alternative asset lives is considered by *eircom* to be inappropriate.
- (g) The Board of *eircom*, in approving the statutory financial statements for the year ended 31 March 2001 and 31 March 2000, considered the provision for exceptional costs, included in the financial statements, to be appropriate. Consequently, the direction by ODTR to exclude those exceptional costs attributed to the Core Network is considered by *eircom* to be inappropriate.
- (h) The population of call types which incur termination charges and consequent creditors differ from the population of call types which generate interconnect income and consequent debtors. On this basis *eircom* believe that it is not appropriate to attribute these debtor and creditor balances on a net basis. The practice of 'netting' is contrary to generally accepted accounting principles.
- (i) The Company has estimated its cost of capital at 15.4%. Therefore *eircom* does not believe that the ODTR directed cost of capital of 12% is appropriate.
- (j) *eircom* may, depending on the outcome of the court case appeal against ODTR Decision Notice D7/01, restate the bases on which the Current Cost and Long Run Incremental Cost Statements are prepared and accordingly, may publish revised financial statements for the year ended 31 March 2001.

Introduction (Cont'd.)

Accounting Documents

The Statements have been prepared according to the principles detailed in the Accounting Documents dated 30th November 2001 (“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 and maintained in Decision Notice D7/01.

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*.

Introduction (Cont'd.)

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 28th September 2001, 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 30th November 2001.

Inland Core Conveyance Network Statements

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 1st 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 31st March 2001 have been prepared in accordance with the requirements of Condition 15 of it’s General Telecommunications Licence.

Peter E Lynch
Group Chief Financial Officer
30th November 2001

Report of the Auditors

To *eircom* plc issued in accordance with Decision 4.1 of Decision Notice D8/99 and Decision 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 11 to 35 which have been prepared under the current cost convention in accordance with Decision Notices 5/99, 6/99, 8/99, 10/99, 9/00, 10/00, 2/01, 7/01 and 12/01 (“the Decision Notices”) issued by the Office of the Director of Telecommunications Regulation and in accordance with *eircom* plc’s (“the company”)’s costing methodologies which are articulated in the accounting documents dated 30 November 2001, published with the financial statements (“the Accounting Documents”).
2. The financial statements comprise current cost financial statements for the year ended 31 March 2001 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 7, 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 is fairly presented in accordance with the Accounting Documents dated 30 November 2001, whether the financial statements comply with the Decision Notices and whether the information specified by the Decision Notices to be published in the financial statements has been published in the financial statements. 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 and if we have not received all of the information and explanations we require for our examination.
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 pages 5 & 6, 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 2001 (“the Statutory Financial Statements”).
7. Decision Notice D7/01 and directions by way of letter dated 18 April 2001, inter alia, require the company to:-
 - use 1997/98 asset lives for core network and access network assets except for local network overhead fibre cable, local network overhead copper cable and local network poles, where specific lives of 10 years, 10 years and 15 years respectively were directed;
 - exclude exceptional costs other than those related to the Euro and Year 2000 from the core network.
8. In order for the company to comply with Decision Notice D7/01 it has had to amend certain balances obtained from the general ledgers and other accounting records of the company. This is a departure from the general principles for preparation of “top down” separated financial statements.
9. 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.
10. 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 fairly presented in accordance with the Accounting Documents and that it complies with the Decision Notices and contains the information specified by the Decision Notices to be published in the financial statements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.
11. 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 pages 5 & 6 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. Some changes have been made in the current year to certain attribution methods and these are described in note 3 to the financial statements.

Fundamental uncertainty

12. We draw your attention to Note 1 of the financial statements which describes the potential effect of ongoing legal proceedings on the financial statements. The outcome of the legal proceedings, which is unknown at the date of this audit report, may have a material impact on these financial statements. Our opinion is not qualified in this respect.

Opinion

13. In our opinion each of the financial statements for the year ended 31 March 2001:-
- is fairly presented in accordance with the Accounting Documents dated 30 November 2001;
 - complies with the Decision Notices;
 - contains information specified by the Decision Notices to be published in the financial statements.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Dublin

30 November 2001

Core Network Business

PROFIT AND LOSS ACCOUNT INCLUDING CCA ADJUSTMENTS

for the year ended 31 March 2001

	2001	2000
	€'000	€'000
Turnover		
From Other Operators	156,211	83,392
Transfer Charges to Retail	484,246	467,776
Total Turnover	640,457	551,168
Operating Costs	606,660	506,425
Exceptional Operating Costs	398	1,067
Holding Gain and Other Adjustments	(30,702)	(12,241)
Supplementary Depreciation	5,240	10,223
Total Operating Costs	581,596	505,474
Return	58,861	45,694
<hr/>		
RETURN ON MEAN CAPITAL EMPLOYED		
	2001	2000
	€'000	€'000
Return	58,861	45,694
Mean Capital Employed	490,514	379,338
Return on Mean Capital Employed	12%	12%
Return on Turnover	9%	8%

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

Core Network Business

STATEMENT OF MEAN CAPITAL EMPLOYED INCLUDING CCA ADJUSTMENTS

as at 31 March 2001

	2001	2000
	€'000	€'000
Fixed assets		
Tangible Fixed Assets	697,963	583,877
Intangible Fixed Assets	-	-
Total Fixed Assets	697,963	583,877
Current Assets		
Stocks	896	212
Debtors	9,958	28,148
Cash at Bank and in Hand	30,395	19,041
Total Current Assets	41,249	47,401
Creditors	(235,831)	(235,450)
Provisions for Liabilities and Charges	(12,867)	(16,490)
Mean Capital Employed	490,514	379,338

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

Core Network Business

STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

FULLY ALLOCATED COSTS

for the year ended 31 March 2001

	Operating costs €'000	Exceptional Operating costs €'000	CCA Depreciation €'000	Holding Gain/Loss €'000	Capital employed €'000	Rate of return %	Capital operating costs €'000	Total Units Average cost cents per unit	(Note (c)) Total Units 000's	Average cost cents per unit
<i>Traffic sensitive</i>										
Subscriber unit	16,927	42	-1,482	-2,537	40,085	12.00%	4,810	17,760	27,111,130	0.0655
Primary switch	21,710	28	1,592	-3,224	30,407	12.00%	3,649	23,755	15,699,542	0.1513
Secondary switch	15,546	18	643	-2,639	24,960	12.00%	2,995	16,563	13,360,225	0.1240
Tertiary switch	10,612	3	-2,381	-2,286	13,874	12.00%	1,665	7,613	4,924,743	0.1546
<i>Transmission: Non-length dependent</i>										
RSU to primary/secondary link	10,258	4	-590	-1,489	38,257	12.00%	4,591	12,774	15,871,530	0.0805
Primary to primary link	526	0	-23	-107	2,217	12.00%	266	662	1,306,144	0.0507
Primary to secondary link	1,075	0	-50	-159	4,326	12.00%	519	1,385	7,117,615	0.0195
Primary to tertiary link	632	1	-27	-32	2,464	12.00%	296	870	2,553,997	0.0341
Secondary to secondary link	1,275	0	-15	-151	5,832	12.00%	700	1,809	1,709,819	0.1058
Secondary to tertiary link	1,448	0	-18	3	6,240	12.00%	749	2,182	3,114,983	0.0701
Tertiary to tertiary link	24	0	-2	-7	91	12.00%	11	26	196,990	0.0133
<i>Transmission: Length dependent</i>										
RSU to primary/secondary length	11,691	17	4,959	-4,533	91,829	12.00%	11,019	23,153	3,334,425	0.6944
Primary to primary length	229	0	65	-52	1,429	12.00%	171	413	216,230	0.1910
Primary to secondary length	986	1	276	-285	6,472	12.00%	777	1,755	2,002,687	0.0877
Primary to tertiary length	315	0	114	-90	2,254	12.00%	270	609	1,777,776	0.0342
Secondary to secondary length	507	1	130	-179	3,558	12.00%	427	886	1,631,047	0.0543
Secondary to tertiary length	606	1	155	-206	4,233	12.00%	508	1,064	3,796,455	0.0280
Tertiary to tertiary length	0	0	0	0	1	12.00%	0	1	1,929	0.0314
Inland directory enquiries	15,624	64	-117	-520	6,087	12.00%	730	15,781	(a)	(a)
International directory enquiries	1,440	6	-15	-58	817	12.00%	98	1,471	(a)	(a)
National Operator Assistance	5,762	22	-97	-170	2,674	12.00%	321	5,838	(a)	(a)
International Operator Assistance	1,081	5	-5	-38	249	12.00%	30	1,073	(a)	(a)
Carrier administration	5,147	64	-71	-601	3,752	12.00%	450	4,989	(a)	(a)
Carrier billing	3,275	6	-485	-199	4,488	12.00%	539	3,136	(a)	(a)
Intelligent network	3,142	0	444	-68	7,507	12.00%	901	4,419	(a)	(a)
Outpayments	377,913	11	0	0	-123,306	12.00%	-14,797	363,127	(a)	(a)
International transmission	25,651	17	-176	-1,483	60,304	12.00%	7,236	31,245	(a)	(a)
Private circuits network	56,152	78	2,159	-8,059	193,479	12.00%	23,218	73,548	(a)	(a)
Interconnect connections and rentals	11,921	9	-49	-597	26,304	12.00%	3,156	14,440	(a)	(a)
Other costs	5,185	0	306	-936	29,630	12.00%	3,556	8,111	(a)	(a)
Total conveyance	606,660	398	5,240	-30,702	490,514		58,861	640,457		

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading

(b) Tertiary to tertiary length costs appear as zero because balances are less than €1,000.

(c) Unit of length is 100km.

Core Network Business

STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

FULLY ALLOCATED COSTS

For the year ended 31 March 2000

	HCA operating costs €'000	HCA exceptional operating Costs €'000	Supplementary depreciation €'000	Holding (gain) / loss and other adjustments €'000	Total CCA operating costs €'000	CCA mean capital employed €'000	Rate of return €'000	Capital costs €'000	Total operating and capital costs €'000	Total unit volume	Average cost cents/Unit
<i>Switching</i>											
Subscriber Unit	15,824	83	-1,121	-1,280	13,506	26,459	12%	3,175	16,681	23,367,029	0.0714
Primary Switch	17,901	145	1,396	-2,907	16,535	34,241	12%	4,109	20,644	13,276,008	0.1555
Secondary Switch	12,908	102	83	-1,575	11,518	19,739	12%	2,369	13,887	9,688,066	0.1433
Tertiary Switch	13,116	75	-1,471	-540	11,180	7,911	12%	949	12,129	4,430,307	0.2738
<i>Transmission - Non-Length Dependent</i>											
RSU to Primary/Secondary Link	11,055	71	-611	-167	10,348	25,104	12%	3,013	13,361	14,056,573	0.0950
Primary to Primary Link	1,089	6	-46	-108	941	2,970	12%	356	1,297	1,110,892	0.1167
Primary to Secondary Link	1,412	9	-80	-108	1,233	3,627	12%	435	1,668	4,945,099	0.0337
Primary to tertiary Link	603	4	-45	-39	523	1,511	12%	181	704	3,245,035	0.0217
Secondary to Secondary Link	1,232	7	-32	-127	1,080	3,488	12%	419	1,499	1,299,700	0.1153
Secondary to Tertiary Link	2,387	14	-63	-263	2,075	7,073	12%	849	2,924	2,366,916	0.1235
Tertiary to Tertiary Link	0	0	0	0	0	0	12%	0	0	115,188	0.0000
<i>Transmission - Length Dependent</i>											
RSU to Primary/Secondary Length	13,767	59	7,143	-1,307	19,662	107,150	12%	12,858	32,520	14,056,573	0.2314
Primary to Primary Length	334	2	118	-19	435	1,946	12%	234	669	1,110,892	0.0603
Primary to Secondary Length	1,152	6	415	-56	1,517	7,145	12%	857	2,374	4,945,099	0.0480
Primary to tertiary Length	451	2	172	-31	594	2,770	12%	332	926	3,245,035	0.0285
Secondary to Secondary Length	683	3	246	-16	916	3,952	12%	474	1,390	1,299,700	0.1069
Secondary to Tertiary Length	919	4	318	-17	1,224	5,652	12%	678	1,902	2,366,916	0.0804
Tertiary to Tertiary Length	0	0	0	0	0	0	12%	0	0	115,188	0.0000
Inland Directory Enquiries	17,019	43	-364	17	16,715	6,181	12%	742	17,457	(a)	(a)
International Directory Enquiries	2,119	5	-55	9	2,078	760	12%	91	2,169	(a)	(a)
Outpayments	283,754	0	10	-59	283,705	-114,124	12%	-13,695	270,010	(a)	(a)
International Transmission	26,319	70	68	-178	26,279	44,592	12%	5,351	31,630	(a)	(a)
Private Circuits Network	58,140	221	3,926	-3,107	59,180	166,529	12%	19,984	79,164	(a)	(a)
Interconnect connections and rentals	11,769	112	32	-156	11,757	5,575	12%	669	12,426	(a)	(a)
Other Costs	12,472	24	184	-207	12,473	9,087	12%	1,090	13,563	(a)	(a)
Total	506,425	1,067	10,223	-12,241	505,474	379,338		45,520	550,994	n/a	n/a

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

(a) These components include a number of different elements which are used in different proportions for the delivery of services within this heading.

Inland Core Conveyance Network

STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

LONG RUN INCREMENTAL COSTS

For the year ended 31 March 2001	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
						(Note (b))	
<i>Switching</i>							
Subscriber Unit	6,546	19,752	12%	2,370	8,916	27,111,130	0.0329
Primary Switch	13,085	19,670	12%	2,360	15,445	15,699,542	0.0984
Secondary Switch	8,395	16,053	12%	1,926	10,321	13,360,225	0.0773
Tertiary Switch	4,577	11,695	12%	1,403	5,980	4,924,743	0.1214
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	3,926	18,880	12%	2,266	6,192	15,871,530	0.0390
Primary to Primary Link	246	1,570	12%	188	434	1,306,144	0.0332
Primary to Secondary Link	439	2,427	12%	291	730	7,117,615	0.0103
Primary to tertiary Link	220	1,038	12%	125	345	2,553,997	0.0135
Secondary to Secondary Link	731	4,270	12%	512	1,243	1,709,819	0.0727
Secondary to Tertiary Link	652	3,211	12%	385	1,037	3,114,983	0.0333
Tertiary to Tertiary Link	8	57	12%	7	15	196,990	0.0078
<i>Transmission - Length Dependent</i>							
RSU to Primary/Secondary Length	2,694	24,800	12%	2,976	5,670	3,334,425	0.1701
Primary to Primary Length	57	382	12%	46	103	216,230	0.0476
Primary to Secondary Length	246	1,698	12%	204	450	2,002,687	0.0225
Primary to tertiary Length	85	597	12%	72	157	1,777,776	0.0088
Secondary to Secondary Length	125	947	12%	114	239	1,631,047	0.0146
Secondary to Tertiary Length	151	1,108	12%	133	284	3,796,455	0.0075
Tertiary to Tertiary Length (Note (a))	0	0	12%	0	0	1,929	0.0061

(a) Tertiary to tertiary length costs appear as zero because balances are less than €1,000.

(b) Unit of length is 100km.

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
<i>Switching</i>							
Subscriber Unit	6,538	9,644	12%	1,157	7,695	23,367,029	0.0329
Primary Switch	11,753	26,114	12%	3,134	14,887	13,276,008	0.1121
Secondary Switch	8,076	15,357	12%	1,843	9,919	9,688,066	0.1024
Tertiary Switch	10,525	8,300	12%	996	11,521	4,430,307	0.2600
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	5,369	9,282	12%	1,114	6,483	14,056,573	0.0461
Primary to Primary Link	623	1,850	12%	222	845	1,110,892	0.0761
Primary to Secondary Link	717	1,861	12%	223	940	4,945,099	0.0190
Primary to tertiary Link	246	540	12%	65	311	3,245,035	0.0096
Secondary to Secondary Link	749	2,237	12%	268	1,017	1,299,700	0.0783
Secondary to Tertiary Link	1,362	4,170	12%	500	1,862	2,366,916	0.0787
Tertiary to Tertiary Link	0	(4)	12%	(0)	(0)	115,188 -	0.0004
<i>Transmission - Length Dependent</i>							
RSU to Primary/Secondary Length	4,195	12,758	12%	1,531	5,726	14,056,573	0.0407
Primary to Primary Length	101	235	12%	28	129	1,110,892	0.0116
Primary to Secondary Length	339	894	12%	107	446	4,945,099	0.0090
Primary to tertiary Length	132	328	12%	39	171	3,245,035	0.0053
Secondary to Secondary Length	188	(3)	12%	(0)	188	1,299,700	0.0145
Secondary to Tertiary Length	256	435	12%	52	308	2,366,916	0.0130
Tertiary to Tertiary Length	0	2	12%	0	0	115,188	0.0002

Inland Core Conveyance Network

STATEMENT OF COSTS INCLUDING CCA ADJUSTMENTS

DISTRIBUTED LONG RUN INCREMENTAL COSTS

For the year ended 31 March 2001	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
						(Note (b))	
<i>Switching</i>							
Subscriber Unit	7,256	22,587	12%	2,710	9,966	27,111,130	0.0368
Primary Switch	14,210	22,662	12%	2,719	16,929	15,699,542	0.1078
Secondary Switch	9,253	19,043	12%	2,285	11,538	13,360,225	0.0864
Tertiary Switch	4,389	12,514	12%	1,502	5,891	4,924,743	0.1196
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	6,462	32,082	12%	3,850	10,312	15,871,530	0.0650
Primary to Primary Link	374	2,234	12%	268	642	1,306,144	0.0492
Primary to Secondary Link	722	3,758	12%	451	1,173	7,117,615	0.0165
Primary to tertiary Link	416	1,838	12%	221	637	2,553,997	0.0249
Secondary to Secondary Link	1,071	5,986	12%	718	1,789	1,709,819	0.1046
Secondary to Tertiary Link	1,117	5,206	12%	625	1,742	3,114,983	0.0559
Tertiary to Tertiary Link	14	86	12%	10	24	196,990	0.0122
<i>Transmission - Length Dependent</i>							
RSU to Primary/Secondary Length	9,009	62,489	12%	7,499	16,508	3,334,425	0.4951
Primary to Primary Length	184	1,025	12%	123	307	216,230	0.1419
Primary to Secondary Length	733	4,634	12%	556	1,289	2,002,687	0.0644
Primary to tertiary Length	261	1,605	12%	193	454	1,777,776	0.0256
Secondary to Secondary Length	337	2,597	12%	312	649	1,631,047	0.0398
Secondary to Tertiary Length	414	3,113	12%	374	788	3,796,455	0.0208
Tertiary to Tertiary Length (Note (a))	0	1	12%	0	0	1,929	0.0239

(a) Tertiary to tertiary length costs appear as zero because balances are less than €1,000.

(b) Unit of length is 100km.

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
<i>Switching</i>							
Subscriber Unit	7,142	10,785	12%	1,294	8,436	23,367,029	0.0361
Primary Switch	12,966	30,449	12%	3,654	16,620	13,276,008	0.1252
Secondary Switch	9,000	17,881	12%	2,146	11,146	9,688,066	0.1150
Tertiary Switch	11,375	8,988	12%	1,079	12,454	4,430,307	0.2811
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	8,913	17,110	12%	2,053	10,966	14,056,573	0.0780
Primary to Primary Link	863	2,468	12%	296	1,159	1,110,892	0.1043
Primary to Secondary Link	1,045	2,683	12%	322	1,367	4,945,099	0.0276
Primary to tertiary Link	388	914	12%	110	498	3,245,035	0.0154
Secondary to Secondary Link	1,033	2,976	12%	357	1,390	1,299,700	0.1069
Secondary to Tertiary Link	1,915	5,732	12%	688	2,603	2,366,916	0.1100
Tertiary to Tertiary Link	0	(5)	12%	(1)	(1)	115,188 -	0.0006
<i>Transmission - Length Dependent</i>							
RSU to Primary/Secondary Length	13,289	67,648	12%	8,118	21,407	14,056,573	0.1523
Primary to Primary Length	304	1,301	12%	156	460	1,110,892	0.0414
Primary to Secondary Length	1,051	4,779	12%	573	1,624	4,945,099	0.0328
Primary to tertiary Length	410	1,853	12%	222	632	3,245,035	0.0195
Secondary to Secondary Length	626	2,533	12%	304	930	1,299,700	0.0715
Secondary to Tertiary Length	840	3,771	12%	453	1,293	2,366,916	0.0546
Tertiary to Tertiary Length	0	2	12%	0	0	115,188	0.0004

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

(Note (b))

For the year ended 31 March 2001	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
<i>Switching</i>							
Subscriber Unit	9,462	29,116	12%	3,494	12,956	27,111,130	0.0478
Primary Switch	20,376	30,012	12%	3,601	23,977	15,699,542	0.1527
Secondary Switch	13,549	25,122	12%	3,015	16,564	13,360,225	0.1240
Tertiary Switch	5,525	14,767	12%	1,772	7,297	4,924,743	0.1482
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	7,330	35,687	12%	4,282	11,612	15,871,530	0.0732
Primary to Primary Link	428	2,501	12%	300	728	1,306,144	0.0557
Primary to Secondary Link	820	4,205	12%	505	1,325	7,117,615	0.0186
Primary to tertiary Link	470	2,056	12%	247	717	2,553,997	0.0281
Secondary to Secondary Link	1,216	6,702	12%	804	2,020	1,709,819	0.1181
Secondary to Tertiary Link	1,258	5,819	12%	698	1,956	3,114,983	0.0628
Tertiary to Tertiary Link	16	96	12%	12	28	196,990	0.0144
<i>Transmission - Length Dependent</i>							
RSU to Primary/Secondary Length	10,930	96,907	12%	11,629	22,559	3,334,425	0.6765
Primary to Primary Length	220	1,508	12%	181	401	216,230	0.1857
Primary to Secondary Length	883	6,842	12%	821	1,704	2,002,687	0.0851
Primary to tertiary Length	316	2,392	12%	287	603	1,777,776	0.0339
Secondary to Secondary Length	412	3,773	12%	453	865	1,631,047	0.0530
Secondary to Tertiary Length	506	4,499	12%	540	1,046	3,796,455	0.0275
Tertiary to Tertiary Length (Note (a))	0	1	12%	0	1	1,929	0.0268

(a) Tertiary to tertiary length costs appear as zero because balances are less than €1,000.

(b) Unit of length is 100km.

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
<i>Switching</i>							
Subscriber Unit	9,073	14,844	12%	1,781	10,854	23,367,029	0.0465
Primary Switch	16,902	37,410	12%	4,489	21,391	13,276,008	0.1611
Secondary Switch	11,796	22,641	12%	2,717	14,513	9,688,066	0.1498
Tertiary Switch	12,279	9,942	12%	1,193	13,472	4,430,307	0.3041
<i>Transmission - Non-Length Dependent</i>							
RSU to Primary/Secondary Link	9,931	19,658	12%	2,359	12,290	14,056,573	0.0874
Primary to Primary Link	999	2,886	12%	346	1,345	1,110,892	0.1210
Primary to Secondary Link	1,203	3,152	12%	378	1,581	4,945,099	0.0320
Primary to tertiary Link	445	1,078	12%	129	574	3,245,035	0.0177
Secondary to Secondary Link	1,186	3,458	12%	415	1,601	1,299,700	0.1232
Secondary to Tertiary Link	2,194	6,633	12%	796	2,990	2,366,916	0.1263
Tertiary to Tertiary Link	0	(7)	12%	(1)	(1)	115,188 -	0.0007
<i>Transmission - Length Dependent</i>							
RSU to Primary/Secondary Length	17,414	103,499	12%	12,420	29,834	14,056,573	0.2122
Primary to Primary Length	377	1,889	12%	227	604	1,110,892	0.0543
Primary to Secondary Length	1,315	6,942	12%	833	2,148	4,945,099	0.0434
Primary to tertiary Length	513	2,692	12%	323	836	3,245,035	0.0257
Secondary to Secondary Length	791	3,909	12%	469	1,260	1,299,700	0.0970
Secondary to Tertiary Length	1,055	5,540	12%	665	1,720	2,366,916	0.0727
Tertiary to Tertiary Length	0	2	12%	0	0	115,188	0.0004

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

1. Regulatory Decisions

- (a) The basis on which these Current Cost and Long Run Incremental Cost Statements, as published herein, were prepared, is currently the subject of an appeal by *eircom* against ODTR Decision Notice D7/01 (ODTR 01/24). *eircom* is publishing these financial statements on the basis directed by the ODTR without prejudice to its appeal.
- (b) ODTR, in Decision Notice D7/01, has directed *eircom* to adopt the following treatment for the items listed below:
 - (i) requirement to attribute all Line Card costs to the Local Access Network
 - (ii) requirement to charge the call set-up component of conveyance charges on a per-minute basis
 - (iii) requirement to use prescribed asset lives in respect of the calculation of depreciation and net book values
 - (iv) requirement to exclude exceptional costs from the Core Network
 - (v) requirement to attribute net interconnect working capital to services using a single apportionment base
 - (vi) requirement to include cost of capital at 12%.

The Board of *eircom* disagrees with the treatment directed by the ODTR and believe that such treatments are inappropriate. Their objections are set out in the relevant appeal. They also believe that the consequent amendment of certain balances extracted from the general ledgers and other accounting records of the company departs from the general principles for the preparation of “top down” separated financial statements.

- (c) *eircom* disagrees with the treatment directed by the ODTR, for the reasons outlined in (d) to (i) below, because *eircom* believes that its method of accounting represents the most appropriate accounting treatment. Notwithstanding this, *eircom* has complied with this Decision Notice D7/01 and has followed in these financial statements the accounting treatment directed by ODTR.
- (d) As part of the ongoing process to improve the methodologies underpinning the financial statements, *eircom* undertook a two-stage process to determine appropriate apportionment bases:

Independent Consultants were engaged to develop appropriate definitions of cost causality, resulting in the segmentation in principle of exchange costs into three categories; a) line sensitive b) call sensitive c) traffic sensitive

eircom's exchange manufacturers were engaged to apply these definitions to the specific equipment components of *eircom's* exchanges in order to derive the appropriate basis of attribution for exchange costs.

- (e) As a result of the above analysis, both suppliers identified elements of the line card and other exchange component equipment, which are related to call set-up. Consequently, eircom believe it appropriate to attribute a share of the line card costs to the Core Network Business and to charge the costs associated with call set-up to services on the basis of the number of successful call attempts.
- (f) The Board of eircom, in approving the statutory financial statements for the year ended 31 March 2001, duly considered the asset lives used in the calculation of the depreciation charge, included in the statutory financial statements, to be appropriate. Consequently, the direction by ODTR to use alternative asset lives is considered by eircom to be inappropriate.
- (g) The Board of eircom, in approving the statutory financial statements for the year ended 31 March 2001 and 31 March 2000, considered the provision for exceptional costs, included in the financial statements, to be appropriate. Consequently, the direction by ODTR to exclude those exceptional costs attributed to the Core Network is considered by eircom to be inappropriate.
- (h) The population of call types which incur termination charges and consequent creditors differ from the population of call types which generate interconnect income and consequent debtors. On this basis *eircom* believe that it is not appropriate to attribute these debtor and creditor balances on a net basis. The practice of ‘netting’ is contrary to generally accepted accounting principles.
- (i) The Company has estimated its cost of capital at 15.4%. Therefore *eircom* does not believe that the ODTR directed cost of capital of 12% is appropriate.
- (j) *eircom* may, depending on the outcome of the court case appeal against ODTR Decision Notice D7/01, restate the bases on which the Current Cost and Long Run Incremental Cost Statements are prepared and accordingly, may publish revised financial statements for the year ended 31 March 2001.

2 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 30th November 2001. The Annual Report for the year ended 31 March 2001, 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 published.

3 Comparative Figures

- (a) The ODTR has directed eircom, in Decision Notice D9/00, that where methods of attribution are amended, comparative information presented should be appropriately re-stated. It is not possible in all cases to re-state comparative information because contemporaneous data is not available in respect of Length Based Route Factors and the Allocation of Shared Duct to Core and Access. In consultation with ODTR, alternate disclosures outlined in 3 (c) and (d) respectively for these methodology changes have been agreed.

Asset life comparatives are unavailable because the confirmation of the Direction to use 1997/98 asset lives was issued in April 2001, after the year end and insufficient time was available for the company to calculate revised comparative data.

Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current year.

In order to provide a fair comparison with the current year the turnover attributable to the core network has been adjusted in order to maintain the return in this business at the ODTR determined rate of 12%. This adjustment has been made within the Other-Remaining Business.

(b) Asset Lives

The ODTR has directed eircom, in Decision Notice D7/01, to prepare the Current Cost and Long Run Incremental Cost Statements on the basis of the asset lives determined by ODTR for 2000/01 RIO rather than the actual asset lives used in *eircom's* statutory financial statements for the year ended 31 March 2001. It has been agreed, in consultation with ODTR, that re-stated comparative information will not be published in respect of this change. The impact of this change on the 2000/01 current cost accounts, before the application of inter-business transfer charges, is shown below:

Business	Depreciation €'000's	Holding (Gain) / Loss €'000's	Mean Capital Employed €'000's
Access	(24,485)	1,036	42,778
Core	(29,009)	1,166	65,982
Retail	(12,405)	1,601	7,881
Other	(2,670)	344	1,778
Total Per Reconciliation to Statutory accounts	(68,569)	4,147	118,420

(c) Length Based Route Factors

As part of the ongoing process of improving the methods of attributing costs, *eircom* are allocating Length Transmission costs to products on the basis of Kilometre Minutes. It has been agreed, in consultation with ODTR, that it is not possible to restate the comparative figures for 1999/00 using this methodology change, because contemporaneous data is not available for 1999/00. The current cost unit costs detailed below are based on the continuation of last year's methodology for comparative purposes and are based on route factors synonymous with this year's non-length route factors. This allows recalculation of 2001 costs on a basis comparable with the methodology applied in the 1999/2000 financial statements.

Link Type	Unit Cost (Cent/Min.)
RSU to Primary/Secondary Length	0.146
Primary to Primary Length	0.032
Primary to Secondary Length	0.025
Primary to Tertiary Length	0.024
Secondary to Secondary Length	0.052
Secondary to Tertiary Length	0.034
Tertiary to Tertiary Length	0.000

(d) Allocation of Shared Duct to Core and Access

As part of the ongoing process of improving the methods of attributing costs, eircom has changed its basis of allocating shared duct to Core and Access costs, from 50:50, to being based on the number of Core and Access cables in a shared duct track. In consultation with ODTR, it was agreed that it is not possible to restate the comparatives for this methodology change, because contemporaneous data is not available for 1999/00. The effect of the changes on the 2000/2001 current cost results is illustrated below on the basis of applying last year's 50/50 split to the shared duct costs for 2000/01.

Profit & Loss	50/50 Split 00/01		00/01 Methodology		Change	
	(€)		(€)		(€)	
	Cost	MCE	Cost	MCE	Cost	MCE
Core	4,370,986	94,863,298	3,718,442	80,771,693	(652,545)	(14,091,606)
Access	4,370,986	94,863,298	5,023,531	108,954,904	652,545	14,091,606

4 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 asset 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.

5. 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		
Long run incremental costs																												
Operating Costs	€'000	338,051	6,546	13,085	8,395	4,577	3,926	246	439	220	731	652	8	2,694	57	246	85	125	151	0	6,183	12,854	26,659	87,879	1,738,989	65,954	2,230,873	
Mean Capital Employed	€'000	1,052,657	19,752	19,670	16,053	11,695	18,880	1,570	2,427	1,038	4,270	3,211	57	24,800	382	1,698	597	947	1,108	0	5,986	76,680	142,490	353,311	901,035	228,775	2,535,778	
Operating Costs plus capital cost	€'000	464,370	8,916	15,445	10,321	5,980	6,192	434	730	345	1,243	1,037	15	5,670	103	450	157	239	284	0	6,901	22,055	43,759	130,276	1,847,113	93,407	2,535,166	
Volume	m mins		27,111,130	15,699,542	13,360,225	4,924,743	15,871,530	1,306,144	7,117,615	2,553,997	1,709,819	3,114,983	196,990	3,334,425	216,230	2,002,687	1,777,776	1,631,047	3,796,455	1,929								
Unit cost	cents		0.0329	0.0984	0.0773	0.1214	0.0390	0.0332	0.0103	0.0135	0.0727	0.0333	0.0078	0.1701	0.0476	0.0225	0.0088	0.0146	0.0075	0.0061								
Distributed long run incremental costs																												
Operating Costs	€'000	338,051	7,256	14,210	9,253	4,389	6,462	374	722	416	1,071	1,117	14	9,009	184	733	261	337	414	0	6,850	24,807	0	87,879	1,738,989	65,954	2,230,873	
Mean Capital Employed	€'000	1,052,657	22,587	22,662	19,043	12,514	32,082	2,234	3,758	1,838	5,986	5,206	86	62,489	1,025	4,634	1,605	2,597	3,113	1	7,535	142,316	0	353,311	901,035	228,775	2,535,778	
Operating Costs plus capital cost	€'000	464,370	9,966	16,929	11,538	5,891	10,312	642	1,173	637	1,789	1,742	24	16,508	307	1,289	454	649	788	0	7,754	41,884	0	130,276	1,847,113	93,407	2,535,166	
Volume	m mins		27,111,130	15,699,542	13,360,225	4,924,743	15,871,530	1,306,144	7,117,615	2,553,997	1,709,819	3,114,983	196,990	3,334,425	216,230	2,002,687	1,777,776	1,631,047	3,796,455	1,929								
Unit cost	cents		0.0368	0.1078	0.0864	0.1196	0.0650	0.0492	0.0165	0.0249	0.1046	0.0559	0.0122	0.4951	0.1419	0.0644	0.0256	0.0398	0.0208	0.0239								
Distributed long run incremental costs plus recovery of inter-increment fixed common and joint costs																												
Operating Costs	€'000	364,868	9,462	20,376	13,549	5,525	7,330	428	820	470	1,216	1,258	16	10,930	220	883	316	412	506	0	7,516	28,683	0	109,916	1,756,089	0	2,230,873	
Mean Capital Employed	€'000	1,157,543	29,116	30,012	25,122	14,767	35,687	2,501	4,205	2,056	6,702	5,819	96	96,907	1,508	6,842	2,392	3,773	4,499	1	8,507	176,952	0	457,464	920,771	0	2,535,778	
Operating Costs plus capital cost	€'000	503,773	12,956	23,977	16,564	7,297	11,612	728	1,325	717	2,020	1,956	28	22,559	401	1,704	603	865	1,046	1	8,537	49,916	0	164,812	1,866,581	0	2,535,166	
Volume	m mins		27,111,130	15,699,542	13,360,225	4,924,743	15,871,530	1,306,144	7,117,615	2,553,997	1,709,819	3,114,983	196,990	3,334,425	216,230	2,002,687	1,777,776	1,631,047	3,796,455	1,929								
Unit cost	cents		0.0478	0.1527	0.1240	0.1482	0.0732	0.0557	0.0186	0.0281	0.1181	0.0628	0.0144	0.6765	0.1857	0.0851	0.0339	0.0530	0.0275	0.0268								

6. Reconciliation statement

Profit and loss items	Operating			Operating		
	Turnover 2001 €'000	costs 2001 €'000	Return 2001 €'000	Turnover 2000 €'000	costs 2000 €'000	Return 2000 €'000
for the year ended 31 March 2001 & 31 March 2000						
As per Annual Report and Accounts	2,157,881	2,072,597	-9,876	1,968,616	1,682,723	78,593
Adjustments:						
Interest payable and similar charges			11,713			6,101
Share of profit from related companies			7,839			9,039
Minority interest			5,653			5,448
Tax on profit on ordinary activities			-19,683			85,152
Dividend paid and proposed			89,638			101,560
Add inter-business turnover	1,294,486	1,294,486	0	1,494,471	1,494,471	0
	3,452,367	3,367,083	85,284	3,463,087	3,177,194	285,893
Non relevant Core Network exceptional operating costs		-1,910	1,910		-63,501	63,501
Non relevant associated undertakings exceptional operating costs		-17,256	17,256		0	0
Impact of change to asset lives		-41,299	41,299		0	0
As per Historic Cost Separated Accounts	3,452,367	3,306,618	145,749	3,463,087	3,113,693	349,394
Elimination of inter Business transfer charges:						
Local Access Network Business	-487,499	-487,499	0	-807,352	-807,352	0
Core Network Business	-500,273	-500,273	0	-466,674	-466,674	0
Sub-total	2,464,595	2,318,846	145,749	2,189,061	1,839,667	349,394
Holding losses/(gains)	n/a	-158,430	158,430	n/a	-39,988	39,988
Supplementary depreciation	n/a	70,457	-70,457	n/a	73,038	-73,038
Net revaluation of fixed assets	n/a	n/a	n/a	n/a	n/a	n/a
Group including CCA revaluation adjustments	2,464,595	2,230,873	233,722	2,189,061	1,872,717	316,344
Less exceptional costs removed		0			-349,373	
Adjusted Group including CCA revaluation adjustments	2,464,595	2,230,873	233,722	2,189,061	1,523,344	316,344
Incremental cost statements						
Access Network	See Note 5	338,051		See Note 5	480,109	
Inland Core Conveyance Network	See Note 5	87,879		See Note 5	103,107	
The Rest	See Note 5	1,738,989		See Note 5	877,607	
Inter increment fixed common and joint costs	See Note 5	65,954		See Note 5	62,521	
As in Incremental Cost Statements		2,230,873			1,523,344	

6. Reconciliation statement (continued)

Mean capital employed for the year ended 31 March 2001 & 31 March 2000	2001 €'000	2000 €'000
Shareholders' funds as per Annual Report and Accounts	1,641,480	1,477,275
Reconciling items:		
Financial assets	0	-107,928
Investments in associated undertakings	-9,569	-21,266
Interest receivable	-16,286	-30,511
Interest payable on long term bonds	325	311
Proposed dividend	54,313	66,235
Taxation	-28,586	166,386
Long term liabilities	194,891	199,889
Current portion of long term liabilities	84,882	7,674
Provisions	42,444	5,094
Non relevant associated undertakings exceptional provision	1,374	0
Closing capital employed at 31 March 2001 & 31 March 2000	1,965,268	1,763,159
Opening capital employed at 1 April 2000 & 1 April 1999	1,763,159	1,670,493
Total mean capital employed before determined adjustments	1,864,214	1,716,826
Impact of change to asset lives	152,302	0
Non relevant Core Network exceptional costs provision	41,516	31,523
Total Mean capital employed as per Historic Cost Separated Accounts	2,058,032	1,748,349
Net revaluation of fixed assets *	477,746	483,717
Adjusted Group including CCA revaluation adjustments	2,535,778	2,232,066
Less exceptional costs provision removed	0	213,388
Mean capital employed including current cost adjustments	2,535,778	2,445,454
Incremental cost statements		
Access Network	1,052,657	1,174,735
Inland Core Conveyance Network	353,311	282,119
The Rest	901,035	787,509
Inter increment fixed common and joint costs	228,775	201,091
As in Incremental Cost Statements	2,535,778	2,445,454

* this balance includes adjustments relating to improvements to studies in respect of the valuation of duct and the MEA of land and buildings.

Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

	TRAFFIC SENSITIVE				NON LENGTH DEPENDANT							LENGTH DEPENDANT							NON CONVEYANCE COSTS										
	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	Gradient - PEAK	Gradient - OFF PAK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND	Inland Directory Enquiries	International Directory Enquiries			
Average Cost cent/min	0.066	0.151	0.124	0.155	0.080	0.051	0.019	0.034	0.106	0.070	0.013	0.694	0.191	0.088	0.034	0.054	0.028	0.031								n/a	n/a		
Total Costs (€000)	17,760	23,755	16,563	7,613	12,774	662	1,385	870	1,809	2,182	26	23,153	413	1,755	609	886	1,064	1								15,781	1,471		
Routing Factors:-																										100.0%	100.0%		
Retail Services																													
Local Calls	1,976	0,984	0,588	0,029	1,175	0,146	0,342	0,021	0,073	0,019	0,001	0,244	0,024	0,060	0,016	0,015	0,026	0,000									0.0%	0.0%	
Trunk Calls	1,933	1,280	1,377	0,429	1,322	0,023	0,899	0,313	0,372	0,479	0,017	0,335	0,014	0,430	0,217	0,673	0,449	0,000									0.0%	0.0%	
International Calls	1,000	0,660	0,480	1,000	0,655	0,000	0,140	0,520	0,000	0,480	0,040	0,134	0,000	0,069	0,264	0,000	0,722	0,000									0.0%	0.0%	
Calls To Mobile	1,000	0,712	0,772	0,304	0,689	0,000	0,484	0,195	0,000	0,109	0,012	0,150	0,000	0,128	0,239	0,000	0,158	0,000									0.0%	0.0%	
Calls to Internet	2,000	1,007	0,730	0,003	0,628	0,191	0,407	0,006	0,136	0,000	0,000	0,113	0,020	0,066	0,004	0,021	0,000	0,000									0.0%	0.0%	
Premium Rate Services	0,870	0,410	0,734	0,056	0,340	0,000	0,259	0,019	0,014	0,000	0,002	0,053	0,000	0,050	0,026	0,000	0,000	0,000									0.0%	0.0%	
Inland Directory Enquiries	1,000	0,646	0,745	1,000	0,661	0,000	0,390	0,255	0,000	0,745	0,040	0,144	0,000	0,094	0,254	0,000	0,787	0,000									90.4%	0.0%	
International Directory Enquiries	1,000	0,646	0,740	1,000	0,656	0,000	0,386	0,260	0,000	0,740	0,040	0,142	0,000	0,094	0,252	0,000	0,792	0,000									0.0%	100.0%	
National Operator Assistance	2,000	1,316	1,248	2,000	1,335	0,000	0,564	0,752	0,000	1,248	0,080	0,290	0,000	0,163	0,522	0,000	1,440	0,001									0.0%	0.0%	
International Operator Assistance	1,000	0,682	0,821	1,000	0,701	0,000	0,503	0,179	0,000	0,821	0,040	0,130	0,000	0,094	0,198	0,000	0,649	0,000									0.0%	0.0%	
Supplemental Services	1,957	1,163	1,218	0,256	0,983	0,000	0,910	0,252	0,258	0,217	0,010	0,073	0,000	0,097	0,131	0,000	0,112	0,000									0.0%	0.0%	
Remaining Activities	1,829	1,123	1,210	0,401	0,877	0,010	0,795	0,304	0,298	0,310	0,016	0,138	0,001	0,197	0,175	0,385	0,372	0,000									0.0%	0.0%	
Internet Service Supply																											0.0%	0.0%	
Leased Lines																											0.0%	0.0%	
Retail Access																											0.0%	0.0%	
RIO Services																													
Call Termination	1,000	0,694	0,874	0,271	0,635	0,013	0,348	0,135	0,125	0,217	0,011	0,139	0,003	0,141	0,102	0,147	0,340	0,000										0.0%	0.0%
Call Origination	1,000	0,659	0,645	0,262	0,669	0,001	0,291	0,139	0,011	0,123	0,010	0,136	0,000	0,089	0,132	0,001	0,223	0,000									0.0%	0.0%	
Transit	0,000	0,500	1,000	0,500	0,000	0,000	0,500	0,000	0,000	0,500	0,020	0,000	0,000	0,000	0,000	0,000	0,000	0,000									0.0%	0.0%	
Access to PRS services	1,000	0,402	0,919	1,918	0,290	0,000	0,237	0,001	0,000	0,000	0,077	0,031	0,000	0,031	0,003	0,000	0,000	0,001									0.0%	0.0%	
Access to Freefone services	2,000	1,192	1,381	0,175	0,897	0,000	1,005	0,187	0,393	0,162	0,007	0,130	0,000	0,216	0,121	0,489	0,183	0,000									0.0%	0.0%	
Access to LoCall services	1,994	1,319	1,365	0,509	0,821	0,000	0,842	0,476	0,333	0,542	0,020	0,168	0,000	0,260	0,247	0,490	0,585	0,000									0.0%	0.0%	
Access to Callsave services	2,000	1,334	1,329	0,336	1,099	0,000	0,973	0,361	0,355	0,311	0,013	0,164	0,000	0,264	0,272	0,507	0,332	0,000									0.0%	0.0%	
Paging Service Access	0,000	0,000	0,082	1,000	0,000	0,000	0,000	0,000	0,000	0,082	0,040	0,000	0,000	0,000	0,000	0,000	0,000	0,000									0.0%	0.0%	
National DQ	0,000	0,000	0,000	1,000	0,000	0,000	0,000	0,000	0,000	0,000	0,040	0,000	0,000	0,000	0,000	0,000	0,000	0,000									9.8%	0.0%	
International DQ	0,000	0,000	0,000	1,000	0,000	0,000	0,000	0,000	0,000	0,000	0,040	0,000	0,000	0,000	0,000	0,000	0,000	0,000									0.0%	0.0%	
Access to operator assistance	0,000	0,000	0,091	1,000	0,000	0,000	0,000	0,000	0,000	0,091	0,040	0,000	0,000	0,000	0,000	0,000	0,000	0,000									0.0%	0.0%	
Access to Intl operator assistance	0,000	0,000	0,091	1,000	0,000	0,000	0,000	0,000	0,000	0,091	0,040	0,000	0,000	0,000	0,000	0,000	0,000	0,000									0.0%	0.0%	
International access including NI	0,000	0,000	0,213	1,000	0,000	0,000	0,000	0,000	0,000	0,213	0,040	0,000	0,000	0,000	0,000	0,000	0,000	0,000									0.0%	0.0%	
Customer Care Access	0,000	0,672	1,359	0,893	0,000	0,000	0,418	0,254	0,304	0,747	0,028	0,000	0,000	0,297	0,182	0,620	1,265	0,000									0.0%	0.0%	
Access to emergency service	1,000	0,963	2,180	2,693	0,638	0,000	0,530	0,433	0,304	1,569	0,108	0,059	0,000	0,341	0,361	0,620	2,092	0,001									0.0%	0.0%	
Interconnect paths																											0.0%	0.0%	
Carrier Preselect - non conveyance charge																											0.0%	0.0%	
Serving operators - IN Dip																											0.0%	0.0%	
Packet services access																											0.0%	0.0%	
Non-geographical number portability																											0.0%	0.0%	
Universal number access																											0.0%	0.0%	
Personal number access																											0.0%	0.0%	
Geographic number portability																											0.0%	0.0%	
Subset of Call Origination																													
Primary	1,000	0,535	0,523	0,000	0,607	0,002	0,057	0,000	0,000	0,000	0,000	0,100	0,000	0,001	0,000	0,000	0,000	0,000											
Tandem Long	1,000	0,710	0,611	0,855	0,733	0,000	0,312	0,398	0,009	0,457	0,000	0,191	0,000	0,129	0,473	0,001	0,897	0,000											
Tandem Short	1,000	0,806	0,851	0,268	0,718	0,000	0,627	0,178	0,030	0,089	0,000	0,153	0,000	0,195	0,107	0,001	0,117	0,000											
Subset of Call Termination																													
Primary	1,000	0,626	0,516	0,000	0,581	0,032	0,108	0,000	0,002	0,000	0,000	0,088	0,008	0,004	0,000	0,000	0,000	0,000											
Tandem Long	1,000	0,699	1,216	0,721	0,697	0,000	0,376	0,323	0,260	0,678	0,000	0,212	0,000	0,270	0,280	0,507	1,135	0,000											
Tandem Short	1,000	0,777	1,031	0,216	0,647																								

Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

	Outpayments	International Transmission	Private Circuits Network	Interconnect Connections and Rentals	Other Costs	Carrier administration	Carrier Billing	Intelligent Network	National Operator Assistance	International Operator Assistance
Average Cost cent/min	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Costs (€'000)	363,127	31,245	73,548	14,440	8,111	4,989	3,136	4,419	5,838	1,073
Routing Factors:-	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Retail Services										
Local Calls	1.8%	0.0%	0.0%	0.5%	0.0%	1.4%	0.0%	31.6%	0.0%	0.0%
Trunk Calls	1.5%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	7.4%	0.0%	0.0%
International Calls	19.8%	46.2%	0.0%	0.0%	0.0%	0.3%	0.0%	2.9%	0.0%	0.0%
Calls To Mobile	37.7%	0.0%	0.0%	3.2%	0.0%	0.2%	0.0%	11.3%	0.0%	0.0%
Calls to Internet	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%	0.0%	0.0%
Premium Rate Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Inland Directory Enquiries	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%
International Directory Enquiries	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
National Operator Assistance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
International Operator Assistance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Supplemental Services	0.5%	14.1%	0.3%	0.0%	87.2%	0.0%	0.0%	1.2%	0.0%	0.0%
Remaining Activities	8.5%	1.0%	0.0%	0.1%	1.0%	0.1%	0.0%	2.0%	0.0%	0.0%
Internet Service Supply	0.0%	0.0%	0.1%	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Leased Lines	0.0%	34.6%	99.6%	0.1%	2.8%	10.5%	0.0%	0.0%	0.0%	0.0%
Retail Access	0.0%	0.0%	0.0%	0.0%	0.0%	10.3%	0.0%	0.0%	0.0%	0.0%
RIO Services										
Call Termination	0.0%	0.0%	0.0%	0.0%	0.6%	18.0%	40.7%	20.2%	0.0%	0.0%
Call Origination	0.4%	0.0%	0.0%	8.8%	0.5%	15.2%	20.1%	10.8%	0.0%	0.0%
Transit	19.7%	0.0%	0.0%	2.4%	3.5%	4.5%	16.2%	7.7%	0.0%	0.0%
Access to PRS services	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to Freephone services	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to LoCall services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to Callsave services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Paging Service Access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
National DQ	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International DQ	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to operator assistance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to Intl operator assistance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
International access including NI	7.1%	4.1%	0.0%	0.0%	1.6%	1.7%	3.7%	1.9%	0.0%	0.0%
Customer Care Access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Access to emergency service	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interconnect paths	0.2%	0.0%	0.0%	84.9%	0.5%	12.1%	19.3%	0.0%	0.0%	0.0%
Carrier Preselect - non conveyance charge	0.0%	0.0%	0.0%	0.0%	0.0%	15.3%	0.0%	0.0%	0.0%	0.0%
Serving operators - IN Dip	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Packet services access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-geographical number portability	0.0%	0.0%	0.0%	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	0.0%
Universal number access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personal number access	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Geographic number portability	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%
Subset of Call Origination										
Primary										
Tandem Long										
Tandem Short										
Subset of Call Termination										
Primary										
Tandem Long										
Tandem Short										

The list of services to be disclosed in this note has been agreed in consultation with the ODTR.

Statement of Costs of Network Services

CCA FULLY ALLOCATED COSTS

Outpayments
International Transmission
Private Circuits Network
Interconnect Connections and Rentals
Other Costs
Carrier administration
Carrier Billing
Intelligent Network
National Operator Assistance
International Operator Assistance

Average Cost per Minute:-

Retail Services

Local Calls
Trunk Calls
International Calls
Calls To Mobile
Calls to Internet
Premium Rate Services
Inland Directory Enquiries
International Directory Enquiries
National Operator Assistance
International Operator Assistance
Supplemental Services
Remaining Activities
Internet Service Supply
Leased Lines
Retail Access

RIO Services

Call Termination
Call Origination
Transit
Access to PRS services
Access to Freephone services
Access to LoCall services
Access to Callsave services
Paging Service Access
National DQ
International DQ
Access to operator assistance
Access to Intl operator assistance
International access including NI
Customer Care access
Access to emergency service
Interconnect paths
Carrier Preselect - non conveyance charge
Serving operators - IN Dip
Packet services access
Non-geographical number portability
Universal number access
Personal number access
Geographic number portability

Subset of Call Origination

Primary
Tandem Long
Tandem Short

Subset of Call Termination

Primary
Tandem Long
Tandem Short

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
Unit cost	cents	0.0478	0.1527	0.1240	0.1482	0.0732	0.0557	0.0186	0.0281	0.1181	0.0628	0.0144	0.6765	0.1857	0.0851	0.0339	0.0530	0.0275	0.0268
Total Costs	€'000	12,956	23,977	16,564	7,297	11,612	728	1,325	717	2,020	1,956	28	22,559	401	1,704	603	865	1,046	1
Routing Factors:-																			
Retail Services																			
Local Calls		1.976	0.984	0.588	0.029	1.175	0.146	0.342	0.021	0.073	0.019	0.001	0.244	0.024	0.060	0.016	0.015	0.026	0.000
Trunk Calls		1.933	1.280	1.377	0.429	1.322	0.023	0.899	0.313	0.372	0.479	0.017	0.335	0.014	0.430	0.217	0.673	0.449	0.000
International Calls		1.000	0.660	0.480	1.000	0.655	0.000	0.140	0.520	0.000	0.480	0.040	0.134	0.000	0.069	0.264	0.000	0.722	0.000
Calls To Mobile		1.000	0.712	0.772	0.304	0.689	0.000	0.484	0.195	0.000	0.109	0.012	0.150	0.000	0.128	0.239	0.000	0.158	0.000
Calls to Internet		2.000	1.007	0.730	0.003	0.628	0.191	0.407	0.006	0.136	0.000	0.000	0.113	0.020	0.066	0.004	0.021	0.000	0.000
Premium Rate Services		0.870	0.410	0.734	0.056	0.340	0.000	0.259	0.019	0.014	0.000	0.002	0.053	0.000	0.050	0.026	0.000	0.000	0.000
Inland Directory Enquiries		1.000	0.646	0.745	1.000	0.661	0.000	0.390	0.255	0.000	0.745	0.040	0.144	0.000	0.094	0.254	0.000	0.787	0.000
International Directory Enquiries		1.000	0.646	0.740	1.000	0.656	0.000	0.386	0.260	0.000	0.740	0.040	0.142	0.000	0.094	0.252	0.000	0.792	0.000
National Operator Assistance		2.000	1.316	1.248	2.000	1.335	0.000	0.564	0.752	0.000	1.248	0.080	0.290	0.000	0.163	0.522	0.000	1.440	0.001
Remaining Activities		1.829	1.123	1.210	0.401	0.877	0.010	0.795	0.304	0.298	0.310	0.016	0.138	0.001	0.197	0.175	0.385	0.372	0.000
Internet Service Supply																			
Leased Lines																			
Retail Access																			
RIO Services																			
Call Termination - from ccmp file		1.000	0.694	0.874	0.271	0.635	0.013	0.348	0.135	0.125	0.217	0.011	0.139	0.003	0.141	0.102	0.147	0.340	0.000
Call Origination - from ccmp file		1.000	0.659	0.645	0.262	0.669	0.001	0.291	0.139	0.011	0.123	0.010	0.136	0.000	0.089	0.132	0.001	0.223	0.000
Transit		0.000	0.500	1.000	0.500	0.000	0.000	0.500	0.000	0.000	0.500	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to PRS services		1.000	0.402	0.919	1.918	0.290	0.000	0.237	0.001	0.000	0.000	0.077	0.031	0.000	0.031	0.003	0.000	0.000	0.001
Access to Freephone services		2.000	1.192	1.381	0.175	0.897	0.000	1.005	0.187	0.393	0.162	0.007	0.130	0.000	0.216	0.121	0.489	0.183	0.000
Access to LoCall services		1.994	1.319	1.365	0.509	0.821	0.000	0.842	0.476	0.333	0.542	0.020	0.168	0.000	0.280	0.247	0.490	0.585	0.000
Access to Callsave services		2.000	1.334	1.329	0.336	1.099	0.000	0.973	0.361	0.355	0.311	0.013	0.164	0.000	0.264	0.272	0.507	0.332	0.000
Paging Service Access		0.000	0.000	0.082	1.000	0.000	0.000	0.000	0.000	0.000	0.082	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000
National DQ		0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International DQ		0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to operator assistance		0.000	0.000	0.091	1.000	0.000	0.000	0.000	0.000	0.000	0.091	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to Intl operator assistance		0.000	0.000	0.091	1.000	0.000	0.000	0.000	0.000	0.000	0.091	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International access including NI		0.000	0.000	0.213	1.000	0.000	0.000	0.000	0.000	0.000	0.213	0.040	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Customer Care Access		0.000	0.672	1.359	0.693	0.000	0.000	0.418	0.254	0.304	0.747	0.028	0.000	0.000	0.297	0.182	0.620	1.265	0.000
Access to emergency service		1.000	0.963	2.180	2.693	0.638	0.000	0.530	0.433	0.304	1.569	0.108	0.059	0.000	0.341	0.361	0.620	2.092	0.001
Interconnect paths																			
Carrier Preselect - non conveyance charge																			
Serving operators - IN Dip																			
Packet services access																			
Non-geographical number portability																			
Universal number access																			
Personal number access																			
Geographic number portability																			
Subset of Call Origination																			
Tandem Short		1.000	0.535	0.523	0.000	0.607	0.002	0.057	0.000	0.000	0.000	0.000	0.100	0.000	0.001	0.000	0.000	0.000	0.000
Tandem Long		1.000	0.710	0.611	0.855	0.733	0.000	0.312	0.398	0.009	0.457	0.000	0.191	0.000	0.129	0.473	0.001	0.897	0.000
Tandem Short		1.000	0.806	0.851	0.268	0.718	0.000	0.627	0.178	0.030	0.089	0.000	0.153	0.000	0.195	0.107	0.001	0.117	0.000
Subset of Call Termination																			
Primary		1.000	0.626	0.516	0.000	0.581	0.032	0.108	0.000	0.002	0.000	0.000	0.088	0.008	0.004	0.000	0.000	0.000	0.000
Tandem Long		1.000	0.699	1.216	0.721	0.697	0.000	0.376	0.323	0.260	0.678	0.000	0.212	0.000	0.270	0.280	0.507	1.135	0.000
Tandem Short		1.000	0.777	1.031	0.216	0.647	0.000	0.637	0.141	0.164	0.083	0.000	0.138	0.000	0.205	0.073	0.012	0.062	0.000

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	
Average Cost per Minute:-																			
Retail Services																			
Local Calls	cents	0.094	0.150	0.073	0.004	0.086	0.008	0.006	0.001	0.009	0.001	0.000	0.165	0.005	0.005	0.001	0.001	0.001	0.000
Trunk Calls	cents	0.092	0.196	0.171	0.064	0.097	0.001	0.017	0.009	0.044	0.030	0.000	0.227	0.003	0.037	0.007	0.036	0.012	0.000
International Calls	cents	0.048	0.101	0.060	0.148	0.048	0.000	0.003	0.015	0.000	0.030	0.001	0.090	0.000	0.006	0.009	0.000	0.020	0.000
Calls To Mobile	cents	0.048	0.109	0.096	0.045	0.050	0.000	0.009	0.005	0.000	0.007	0.000	0.102	0.000	0.011	0.008	0.000	0.004	0.000
Calls to Internet	cents	0.096	0.154	0.091	0.000	0.046	0.011	0.008	0.000	0.016	0.000	0.000	0.076	0.004	0.006	0.000	0.001	0.000	0.000
Premium Rate Services	cents	0.042	0.063	0.091	0.008	0.025	0.000	0.005	0.001	0.002	0.000	0.000	0.036	0.000	0.004	0.001	0.000	0.000	0.000
Inland Directory Enquiries	cents	0.048	0.099	0.092	0.148	0.048	0.000	0.007	0.007	0.000	0.047	0.001	0.098	0.000	0.008	0.009	0.000	0.022	0.000
International Directory Enquiries	cents	0.048	0.099	0.092	0.148	0.048	0.000	0.007	0.007	0.000	0.046	0.001	0.096	0.000	0.008	0.009	0.000	0.022	0.000
National Operator Assistance	cents	0.096	0.201	0.155	0.296	0.098	0.000	0.010	0.021	0.000	0.078	0.001	0.196	0.000	0.014	0.018	0.000	0.040	0.000
International Operator Assistance	cents	0.048	0.104	0.102	0.148	0.051	0.000	0.009	0.005	0.000	0.052	0.001	0.088	0.000	0.008	0.007	0.000	0.018	0.000
Supplemental Services	cents	0.094	0.178	0.151	0.038	0.072	0.000	0.017	0.007	0.030	0.014	0.000	0.049	0.000	0.008	0.004	0.000	0.003	0.000
Remaining Activities	cents	0.087	0.172	0.150	0.059	0.064	0.001	0.015	0.009	0.035	0.019	0.000	0.093	0.000	0.017	0.006	0.020	0.010	0.000
Internet Service Supply																			
Leased Lines																			
Retail Access																			
RIO Services																			
Call Termination	cents	0.048	0.106	0.108	0.040	0.046	0.001	0.006	0.004	0.015	0.014	0.000	0.094	0.001	0.012	0.003	0.008	0.009	0.000
Call Origination	cents	0.048	0.101	0.080	0.039	0.049	0.000	0.005	0.004	0.001	0.008	0.000	0.092	0.000	0.008	0.004	0.000	0.006	0.000
Transit	cents	0.000	0.076	0.124	0.074	0.000	0.000	0.009	0.000	0.000	0.031	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to PRS services	cents	0.048	0.061	0.114	0.284	0.021	0.000	0.004	0.000	0.000	0.000	0.001	0.021	0.000	0.003	0.000	0.000	0.000	0.000
Access to Freephone services	cents	0.096	0.182	0.171	0.026	0.066	0.000	0.019	0.005	0.046	0.010	0.000	0.088	0.000	0.018	0.004	0.026	0.005	0.000
Access to LoCall services	cents	0.095	0.201	0.169	0.075	0.060	0.000	0.016	0.013	0.039	0.034	0.000	0.114	0.000	0.022	0.008	0.026	0.016	0.000
Access to Callsave services	cents	0.096	0.204	0.165	0.050	0.080	0.000	0.018	0.010	0.042	0.020	0.000	0.111	0.000	0.022	0.009	0.027	0.009	0.000
Paging Service Access	cents	0.000	0.000	0.010	0.148	0.000	0.000	0.000	0.000	0.000	0.005	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
National DQ	cents	0.000	0.000	0.000	0.148	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International DQ	cents	0.000	0.000	0.000	0.148	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to operator assistance	cents	0.000	0.000	0.011	0.148	0.000	0.000	0.000	0.000	0.000	0.006	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Access to Intl operator assistance	cents	0.000	0.000	0.011	0.148	0.000	0.000	0.000	0.000	0.000	0.006	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
International access including NI	cents	0.000	0.000	0.026	0.148	0.000	0.000	0.000	0.000	0.000	0.013	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Customer Care access	cents	0.000	0.103	0.168	0.103	0.000	0.000	0.008	0.007	0.036	0.047	0.000	0.000	0.000	0.025	0.006	0.033	0.035	0.000
Access to emergency service	cents	0.048	0.147	0.270	0.399	0.047	0.000	0.010	0.012	0.036	0.099	0.002	0.040	0.000	0.029	0.012	0.033	0.058	0.000
Interconnect paths	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Carrier Preselect - non conveyance charge	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Serving operators - IN Dip	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Packet services access	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Non-geographical number portability	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Universal number access	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Personal number access	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Geographic number portability	cents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Subset of Call Origination																			
Primary	cents	0.0478	0.0818	0.0649	0.0000	0.0444	0.0001	0.0011	0.0000	0.0000	0.0000	0.0000	0.0678	0.0000	0.0001	0.0000	0.0000	0.0000	0.0000
Tandem Long	cents	0.0478	0.1084	0.0758	0.1267	0.0537	0.0000	0.0058	0.0112	0.0011	0.0287	0.0000	0.1295	0.0000	0.0110	0.0160	0.0001	0.0247	0.0000
Tandem Short	cents	0.0478	0.1231	0.1055	0.0397	0.0525	0.0000	0.0117	0.0050	0.0035	0.0056	0.0000	0.1038	0.0000	0.0166	0.0036	0.0000	0.0032	0.0000
Subset of Call Termination																			
Primary	cents	0.0478	0.0957	0.0640	0.0000	0.0425	0.0018	0.0020	0.0000	0.0003	0.0000	0.0000	0.0595	0.0014	0.0003	0.0000	0.0000	0.0000	0.0000
Tandem Long	cents	0.0478	0.1068	0.1508	0.1068	0.0510	0.0000	0.0070	0.0091	0.0307	0.0425	0.0000	0.1436	0.0000	0.0229	0.0095	0.0269	0.0313	0.0000
Tandem Short	cents	0.0478	0.1187	0.1278	0.0320	0.0474	0.0000	0.0119	0.0039	0.0193	0.0052	0.0000	0.0931	0.0000	0.0174	0.0025	0.0007	0.0017	0.0000

Statement of Costs of Network Services

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

Unit cost

Total Costs

Routing Factors:-

Retail Services

- Local Calls
- Trunk Calls
- International Calls
- Calls To Mobile
- Calls to Internet
- Premium Rate Services
- Inland Directory Enquiries
- International Directory Enquiries
- National Operator Assistance
- Remaining Activities
- Internet Service Supply
- Leased Lines
- Retail Access

RIO Services

- Call Termination - from ccmp file
- Call Origination - from ccmp file
- Transit
- Access to PRS services
- Access to Freefone services
- Access to LoCall services
- Access to Callsave services
- Paging Service Access
- National DQ
- International DQ
- Access to operator assistance
- Access to Intl operator assistance
- International access including NI
- Customer Care Access
- Access to emergency service
- Interconnect paths
- Carrier Preselect - non conveyance charge
- Serving operators - IN Dip
- Packet services access
- Non-geographical number portability
- Universal number access
- Personal number access
- Geographic number portability

Subset of Call Origination

- Tandem Short
- Tandem Long
- Tandem Short

Subset of Call Termination

- Primary
- Tandem Long
- Tandem Short

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	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND

Statement of Costs of Network Services

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

	Gradient - PEAK	Gradient - OFF PEAK	Gradient - WEEKEND	Call Conveyance Cost Per Minute - Peak	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND	Call Conveyance Cost Per Minute - OFF PEAK	Call Conveyance Cost Per Minute - WEEKEND
Average Cost per Minute:-								
Retail Services								
Local Calls	1.3302	0.7447	0.6946	0.8111	0.4541	0.4236		
Trunk Calls	1.3302	0.7447	0.6946	1.3849	0.7753	0.7232		
International Calls	1.3302	0.7447	0.6946	0.7678	0.4298	0.4010		
Calls To Mobile	1.3302	0.7447	0.6946	0.6572	0.3679	0.3432		
Calls to Internet	1.3302	0.7447	0.6946	0.6751	0.3780	0.3526		
Premium Rate Services	1.3302	0.7447	0.6946	0.3675	0.2058	0.1919		
Inland Directory Enquiries	1.3302	0.7447	0.6946	0.8419	0.4713	0.4396		
International Directory Enquiries	1.3302	0.7447	0.6946	0.8382	0.4692	0.4377		
National Operator Assistance	1.3302	0.7447	0.6946	1.6277	0.9113	0.8500		
International Operator Assistance	1.3302	0.7447	0.6946	0.8514	0.4767	0.4446		
Supplemental Services	1.3302	0.7447	0.6946	0.8850	0.4954	0.4621		
Remaining Activities	1.3302	0.7447	0.6946	1.0086	0.5646	0.5267		
Internet Service Supply								
Leased Lines								
Retail Access								
RIO Services								
Call Termination	1.3302	0.7447	0.6946	0.6854	0.3837	0.3579		
Call Origination	1.3302	0.7447	0.6946	0.5921	0.3315	0.3092		
Transit	1.3302	0.7447	0.6946	0.4196	0.2349	0.2191		
Access to PRS services	1.3302	0.7447	0.6946	0.7423	0.4155	0.3876		
Access to Freephone services	1.3302	0.7447	0.6946	1.0139	0.5676	0.5295		
Access to LoCall services	1.3302	0.7447	0.6946	1.1844	0.6631	0.6185		
Access to Callsave services	1.3302	0.7447	0.6946	1.1472	0.6423	0.5991		
Paging Service Access	1.3302	0.7447	0.6946	0.2184	0.1222	0.1140		
National DQ	1.3302	0.7447	0.6946	0.1979	0.1108	0.1033		
International DQ	1.3302	0.7447	0.6946	0.1979	0.1108	0.1033		
Access to operator assistance	1.3302	0.7447	0.6946	0.2206	0.1235	0.1152		
Access to Intl operator assistance	1.3302	0.7447	0.6946	0.2206	0.1235	0.1152		
International access including NI	1.3302	0.7447	0.6946	0.2508	0.1404	0.1310		
Customer Care access	1.3302	0.7447	0.6946	0.7596	0.4253	0.3987		
Access to emergency service	1.3302	0.7447	0.6946	1.6506	0.8241	0.8820		
Interconnect paths	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Carrier Preselect - non conveyance charge	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Serving operators - IN Dip	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Packet services access	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Non-geographical number portability	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Universal number access	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Personal number access	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Geographic number portability	1.3302	0.7447	0.6946	0.0000	0.0000	0.0000		
Subset of Call Origination								
Primary	1.3302	0.7447	0.6946	0.4095	0.2293	0.2139		
Tandem Long	1.3302	0.7447	0.6946	0.8519	0.4769	0.4449		
Tandem Short	1.3302	0.7447	0.6946	0.6939	0.3885	0.3624		
Subset of Call Termination								
Primary	1.3302	0.7447	0.6946	0.4194	0.2348	0.2190		
Tandem Long	1.3302	0.7447	0.6946	1.0463	0.5857	0.5464		
Tandem Short	1.3302	0.7447	0.6946	0.7043	0.3943	0.3678		

Definitions of the Businesses

The full definition of the Businesses and their Activities are set out on pages 5 to 7 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 these connections. For Accounting Separation, the Local Access Network Business includes all the customer-dedicated components of the network including, for example, the line cards and ports located at 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 in order to allow the customer of one operator to communicate with customers of the same or another operator, or to access services provided by another operator. These services include the switching and conveyance of calls. 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 fully 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

Three 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 all conveyance circuit switches (primary, secondary and tertiary) and traffic related remote or 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 Access Network has been defined, by the ODTR, as lying at the Inland Core Conveyance Network side of the line card in 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 output is 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 unit, primary switch, etc.) and a pro-rated mark up of fixed common and joint costs 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, Inland 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 its elements) and a pro-rated 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 within that on the distributed incremental costs of Inland Core Conveyance Network elements, to which they are common. 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 incremental cost of the Group as a whole.