



# **HISTORICAL COST SEPARATED ACCOUNTS**

**FOR YEAR ENDED 1 APRIL 1999**

## **SUPPLEMENTAL INFORMATION**

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## **Supplemental Information to the *eircom* plc Historical Cost Separated Accounts for the year ended 1 April 1999**

*eircom* plc published its audited Historical Cost Separated Accounts on 29 October 1999 for the year ended 1 April 1999. *eircom* is now publishing the following additional information.

- (1) Restatement of Retail Business - Access statements, Retail Business - Leases Lines statements, Retail Business reconciliation and Transfer Charge Statement with an accompanying audit opinion
  
- (2) Unaudited Supplemental Information to aid the understanding of the published statements

*eircom* confirms that the restated Financial Statements for the year ended 1 April 1999 have been prepared in accordance with the requirements of Condition 15 of its General Telecommunications Licence.

Malcolm Fallen  
Chief Financial Officer  
3rd March 2000

## **(1) Retail Business - Access and Retail Business - Leased Lines**

The leased lines retail activity uses the local loop for access to customer premises. The statements published on 29 October 1999 did not include a transfer charge from Retail Access to Leased Lines to represent this usage. Therefore *eircom* republishes the Retail Business - Access statements, Retail Business - Leased Lines statements, Retail Business reconciliation and Transfer Charge Statement on pages 6 to 11.

## Report of the Auditors

To *eircom plc* formerly *Bord Telecom Eireann plc* issued in accordance with Decision 4.1 of Decision Notice 8/99 issued by the Office of the Director of Telecommunications Regulation.

1. We previously reported on the financial statements for the Year Ended 1 April 1999 on 29 October 1999. As explained on page 2, the results for the Retail Business - Access activity, Retail Business – Leased Line activity, Retail Business reconciliation and Transfer Charge Statement have been restated and the attached revised statements on pages 6 to 11 replace the equivalent statements in the financial statements published on 29 October 1999.
2. We have examined the attached restated financial statements which have been prepared under the historical cost convention in accordance with Decision Notices 5/99, 8/99 and 10/99 (“the Decision Notices”) issued by the Office of The Director of Telecommunications Regulation and in accordance with *eircom plc* formerly *Bord Telecom Eireann plc* (“the company”)’s costing methodologies which are articulated in the accounting documents published with the financial statements (“the Accounting Documents”)
3. The financial statements comprise separate historical cost financial statements for the year ended 1 April 1999 for each of the Businesses listed on page 3 (“The Businesses”) and, in so far as each Business has been disaggregated in terms of activities of the Business, each of the disaggregated activities listed on page 3 of the financial statements dated 29 October 1999, (“the Activities”). The financial statements of the Core Network Business include the Network Statement of Costs and the Statement of Costs of Network Services.

## Respective responsibilities of the company and auditors

4. The company is responsible for preparing and approving the financial statements, as described on page 7 of the financial statements dated 29 October 1999. Our responsibilities, as independent auditors, are established by the Decision Notices, the Auditing Practices Board and our profession’s ethical guidance.
5. We report our opinion as to whether each of the financial statements has been prepared in accordance with the Accounting Documents. We also report if, in our opinion, the “Introduction” by the company, setting out the basis upon which the financial statements have been prepared, is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all of the information and explanations we require for our examination, or if the information specified by the Decision Notices is not disclosed.

6. We read the “Definitions of the Businesses” and considered the implications for our report if we became aware of any apparent misstatements or material inconsistencies with the financial statements.
7. We have not examined the Supplemental Information on pages 12 to 16, published with the revised statements and we therefore express no opinion on that supplemental information.

### **Basis of audit opinion**

8. As explained in the “Basis of preparation” on pages 4 to 5 of the financial statements dated 29 October 1999, 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 1990, and used, in accordance with those Acts, for the preparation of the company’s statutory consolidated financial statements for the year ended 1 April 1999 (“The Statutory 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 the 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 prepared in accordance with the

Accounting Documents. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 4 to 5 of the financial statements dated 29 October 1999 in the "Basis of preparation", in selecting appropriate attribution methods and appropriate non-financial data for use within the attribution models employed in the production of the 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 services will continue to be reviewed and, where appropriate, improved.
12. Decisions 3.4, 3.5 of Decision Notice 5/99 and Decision 3.5 of Decision Notice 10/99, inter alia, require the financial statements to include comparative information. This is the first year for which audited separated financial statements have been prepared and, accordingly, comparative information has not been included in the financial statements.

## **Opinion**

13. In our opinion:

- Each of the revised financial statements for the Retail Business – Access activity, Retail Business – Leased Lines activity, Retail Business reconciliation and the Transfer Charge Statement for the year ended 1 April 1999 have been prepared in accordance with the Accounting Documents.
- This opinion in so far as it relates to the Retail Business - Access activity, Retail Business – Leased Lines activity, Retail Business reconciliation and Transfer Charge Statement (but no other), replaces our opinion on those statements and reconciliation contained in our overall opinion given on 29 October 1999.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Dublin, 3 March 2000.

## ***Retail Business - Access***

PROFIT AND LOSS ACCOUNT	
for the year ended 1 April 1999	
Notes	1999
	€000
<b>Turnover</b>	
Connections	16,037
Rental	238,369
<b>Total turnover</b>	<b>254,406</b>
<b>Operating costs</b>	
Operating costs specific to Retail	37,054
Transfer charges from Core Network	-
Transfer charges from Local Access Network	543,237
<b>Total operating costs</b>	<b>580,291</b>
<b>Return</b>	<b>(325,885)</b>
RETURN ON MEAN CAPITAL EMPLOYED	
	1999
	€000
<b>Return</b>	<b>(325,885)</b>
<b>Mean capital employed</b>	<b>(43,230)</b>
<b>Return on mean capital employed</b>	<b>n/a</b>
<b>Return on turnover</b>	<b>-128%</b>

## ***Retail Business - Access***

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### STATEMENT OF MEAN CAPITAL EMPLOYED

as at 1 April 1999

	Notes	1999 €000
<b>Fixed assets</b>		
Tangible fixed assets		8,349
Intangible fixed assets		-
<b>Total fixed assets</b>		<b>8,349</b>
<b>Current assets</b>		
Stocks		-
Debtors		29,849
Cash at bank and in hand		703
<b>Total current assets</b>		<b>30,552</b>
<b>Creditors</b>		<b>(79,414)</b>
<b>Provisions for liabilities and charges</b>		<b>(2,717)</b>
<b>Mean capital employed</b>		<b>(43,230)</b>

## ***Retail Business - Leased Lines***

PROFIT AND LOSS ACCOUNT	
for the year ended 1 April 1999	
Notes	1999 €000
<b>Turnover</b>	
Turnover from Operations	136,344
<b>Total turnover</b>	<b>136,344</b>
<b>Operating costs</b>	
Operating costs specific to Retail	12,917
Transfer charges from Core Network	93,198
Transfer charges from Local Access Network	25,020
<b>Total operating costs</b>	<b>131,134</b>
<b>Return</b>	<b>5,210</b>
RETURN ON MEAN CAPITAL EMPLOYED	
	1999 €000
<b>Return</b>	5,210
<b>Mean capital employed</b>	1,761
<b>Return on mean capital employed</b>	<b>296%</b>
<b>Return on turnover</b>	<b>4%</b>

## ***Retail Business - Leased Lines***

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### STATEMENT OF MEAN CAPITAL EMPLOYED

as at 1 April 1999

	Notes	1999 €000
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<b>Fixed assets</b>		
Tangible fixed assets		4,763
Intangible fixed assets		-
<b>Total fixed assets</b>		<b>4,763</b>
<b>Current assets</b>		
Stocks		-
Debtors		20,512
Cash at bank and in hand		344
<b>Total current assets</b>		<b>20,856</b>
<b>Creditors</b>		<b>(22,596)</b>
<b>Provisions for liabilities and charges</b>		<b>(1,262)</b>
<b>Mean capital employed</b>		<b>1,761</b>

## *Retail Business reconciliation*

<b>RETURN</b>	
<b>for the year ended 1 April 1999</b>	<b>1999</b>
	<b>€000</b>
Access	(325,885)
Local Calls	133,844
National Calls	87,328
International Calls	104,417
Calls to Mobile	31,310
Directory Enquiry	(39,030)
Leased Lines	5,210
Public Payphones	(3,950)
Calls to Internet	(1,013)
Internet Services Supply	(8,684)
Supplemental Services	(14,678)
Remaining Activities	(15,936)
<b>TOTAL RETAIL BUSINESS</b>	<b>(47,067)</b>
<b>MEAN CAPITAL EMPLOYED</b>	
<b>as at 1 April 1999</b>	<b>1999</b>
	<b>€000</b>
Access	(43,230)
Local Calls	14,514
National Calls	9,846
International Calls	95,516
Calls to Mobile	1,891
Directory Enquiry	(3,325)
Leased Lines	1,761
Public Payphones	4,750
Calls to Internet	(292)
Internet Services Supply	(2,035)
Supplemental Services	38,049
Remaining Activities	14,249
<b>TOTAL RETAIL BUSINESS</b>	<b>131,694</b>

## ***TRANSFER CHARGE STATEMENT***

<b><u>COSTS/SERVICES</u></b> <b>€000</b>	<b>Retail Services</b>												<b>Other Activities Services</b>			
	Access	Local Calls	National Calls	International Calls	Calls to Mobile	Directory Enquiry	Leased Lines	Public Payphones	Calls to Internet	Internet Services Supply	Supplemental Services	Remaining Activities	Apparatus Supply	Other Remaining Activities	Eircell	Other Subsidiaries
Network Cost	-	133,059	43,171	113,972	80,896	41,578	93,197	-	6,975	1,571	9,169	20,642	-	-	-	-
Local Access Costs	543,237	-	-	-	-	-	25,020	-	-	-	-	-	-	-	-	-
Other Operating Costs	-	-	-	-	-	-	-	16,372	-	-	-	-	-	-	-	-
<b>Total Transfer Charges</b>	<b>543,237</b>	<b>133,059</b>	<b>43,171</b>	<b>113,972</b>	<b>80,896</b>	<b>41,578</b>	<b>118,217</b>	<b>16,372</b>	<b>6,975</b>	<b>1,571</b>	<b>9,169</b>	<b>20,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **(2) Unaudited Supplemental Information**

### **Introduction**

*eircom* is providing additional unaudited information to aid the understanding of the Historical Cost Separated Accounts. The additional information published relates to *eircom*'s restructuring costs, an analysis of turnover and an analysis of the Public Payphones Transfer Charge. This information does not form part of the financial statements.

## Restructuring Costs

The statutory financial statements to 1 April 1999 includes redundancy and transformation costs and exceptional items. Certain of these costs have been analysed between businesses, activities and network segments. This additional information has been outlined below.

	Local Access Network Restructuring Costs €000	Core Network Restructuring Costs €000	Retail Business Restructuring Costs €000	Other Business Restructuring Costs €000	Total Restructuring Costs €000
Core Network only		1,509			1,509
Retail Business - Access	77,956	-	6,552		84,508
Retail Business - Local Calls	-	12,018	8,693		20,711
Retail Business - National Calls	-	3,651	3,825		7,476
Retail Business - International Calls	-	2,625	2,925		5,550
Retail Business - Calls to Mobile	-	598	1,793		2,391
Retail Business - Directory Enquiry	-	15,103	960		16,063
Retail Business - Leased Lines	2,808	9,093	2,993		14,894
Retail Business - Public Payphones	-	-	3,832		3,832
Retail Business - Calls to Internet	-	641	209		850
Retail Business - Internet Services Supply	-	-	1,343		1,343
Retail Business - Supplemental Services	-	628	3,215		3,843
Retail Business - Remaining Activities	-	1,288	11,573		12,861
Retail Business - Total	80,764	45,645	47,913	-	174,322
Other Business - Apparatus Supply				25,377	25,377
Other Business - Other Remaining Activities				19,726	19,726
Other Business - Eircell				-	-
Other Business - Other Subsidiaries				-	-
Other Business - Total	-	-	-	45,103	45,103
Total	80,764	47,154	47,913	45,103	220,934

## Restructuring Costs

### *Statement of Network Costs*

	<b>Restructuring Operating Costs €000</b>
<i>Traffic sensitive</i>	
Subscriber unit	5,700
Primary switch	5,123
Secondary switch	2,239
Tertiary switch	123
 <i>Transmission: Non-length dependent</i>	
RSU to primary/secondary link	1,743
Primary to primary link	79
Primary to secondary link	225
Secondary to secondary link	94
Secondary to tertiary link	315
Tertiary to tertiary link	4
 <i>Transmission: Length dependent</i>	
RSU to primary/secondary length	3,974
Primary to primary length	61
Primary to secondary length	302
Secondary to secondary length	108
Secondary to tertiary length	170
Tertiary to tertiary length	0
 Inland directory enquiries	11,909
International directory enquiries	3,167
Outpayments	39
International transmission	893
Private circuits network	9,001
Interconnect connections and rentals	570
Other costs	1,315
<b>Total conveyance restructuring operating costs</b>	<b>47,154</b>

## Turnover

Revenue analysis by category:

	<b>Connections</b> €000	<b>Rental</b> €000	<b>Call charges</b> €000	<b>Other</b> €000	<b>Total</b> €000
Retail Business - Access	16,037	238,369	-	-	254,406
Retail Business - Local Calls	-	-	307,456	2,245	309,701
Retail Business - National Calls	-	-	144,767	1,803	146,570
Retail Business - International Calls	-	-	236,107	1,044	237,151
Retail Business - Calls to Mobile	-	-	122,305	1,008	123,313
Retail Business - Directory Enquiry	-	-	5,627	64	5,691
Retail Business - Leased Lines	12,375	123,603	-	366	136,344
Retail Business - Public Payphones	-	-	36,989	348	37,337
Retail Business - Calls to Internet	-	-	7,208	-	7,208
Retail Business - Internet Services Supply	-	6,635	-	7	6,642
Retail Business - Supplemental Services	492	4,757	8,598	1,752	15,599
Retail Business - Remaining Activities	302	1,977	50,621	755	53,655
<b>Retail Business</b>	<b>29,206</b>	<b>375,341</b>	<b>919,678</b>	<b>9,392</b>	<b>1,333,617</b>

## Public Payphone Transfer Charge

As disclosed in Note 1 to the financial statements published on 29 October 1999 the Public Payphones transfer charges are determined at a retail rate, less a wholesale discount where applicable. *The* following information gives a further breakdown of the transfer charges to identify their constituent parts.

	<b>Retail Services</b>				
	<b>Access €000</b>	<b>Local Calls €000</b>	<b>National Calls €000</b>	<b>International Calls €000</b>	<b>Calls to mobile €000</b>
Operating costs specific to Retail	148	552	387	151	282
Transfer charges from Core Network	1,953	1,654	963	181	157
Restructuring operating costs	0	121	95	23	42
Restructuring transfer charges from Core Network	311	175	95	22	15
Retail Area Mark-up		3,894	2,333	3,728	2,651
<b>Total Retail Charges</b>	<b>2,411</b>	<b>6,397</b>	<b>3,872</b>	<b>4,105</b>	<b>3,147</b>
Wholesale Discount	0	(896)	(542)	(575)	(441)
Under Recovery of Cost	(1,107)				
<b>Transfer Charge to Public Payphones</b>	<b>1,304</b>	<b>5,501</b>	<b>3,330</b>	<b>3,530</b>	<b>2,706</b>