

GIBTELECOM
SMP REGULATED ACCOUNTS
FOR YEAR ENDED 31 DECEMBER 2013

Gibtelecom

REGULATORY FINANCIAL STATEMENTS
[resubmitted 28 October 2016]

Gibtelecom SMP Regulated Accounts

Contents

Accounting Separation Report	4
Introduction	4
Activities	5
Statement of responsibility	6
Report of the Independent Auditors, Deloitte Limited, to Gibtelecom Limited	7
1. Separated Accounts Schedules	13
1.1. The schedules for the various separated accounts are found below.	13
1.1.1 Wholesale Core Network Fixed Origination Profit and Loss	13
1.1.2 Wholesale Core Network Fixed Origination Mean Capital Employed	14
1.1.3 Wholesale Core Network Fixed Termination Profit and Loss	15
1.1.4 Wholesale Core Network Fixed Termination Mean Capital Employed	16
1.1.5 Wholesale Core Network Leased Lines Profit and Loss	17
1.1.6 Wholesale Core Network Leased Lines Mean Capital Employed	18
1.1.7 Wholesale Core Network Remaining Activities Profit and Loss	19
1.1.8 Wholesale Core Network Remaining Activities Mean Capital Employed	20
1.1.9 Wholesale Core Network TOTAL Activities Profit and Loss	21
1.1.10 Wholesale Core Network TOTAL Activities Mean Capital Employed	22
1.1.11 Wholesale Access Network Unbundled Access Profit and Loss	23
1.1.12 Wholesale Access Network Unbundled Access Mean Capital Employed	24
1.1.13 Wholesale Access Network Broadband Access Profit and Loss	25
1.1.14 Wholesale Access Network Broadband Access Mean Capital Employed	26
1.1.15 Wholesale Access Network Remaining Activities Profit and Loss	27
1.1.16 Wholesale Access Network Remaining Activities Mean Capital Employed	28
1.1.17 Wholesale Access Network TOTAL Activities Profit and Loss	29
1.1.18 Wholesale Access Network TOTAL Activities Mean Capital Employed	30
1.1.19 Wholesale Mobile Network Voice Termination Profit and Loss	31
1.1.20 Wholesale Mobile Network Voice Termination Mean Capital Employed	32
1.1.21 Wholesale Mobile Network Remaining Activities Profit and Loss	33
1.1.22 Wholesale Mobile Network Remaining Activities Mean Capital Employed	34
1.1.23 Retail Fixed Access Profit and Loss	35
1.1.24 Retail Fixed Access Mean Capital Employed	36
1.1.25 Retail Fixed Domestic Calling Profit and Loss	37

1.1.26	Retail Fixed Domestic Calling Mean Capital Employed	38
1.1.27	Retail Fixed International Calling Profit and Loss	39
1.1.28	Retail Fixed International Calling Mean Capital Employed	40
1.1.29	Retail Remaining Activities Profit and Loss	41
1.1.30	Retail Remaining Activities Mean Capital Employed	42
1.1.31	Retail TOTAL Activities Profit and Loss	43
1.1.32	Retail TOTAL Activities Mean Capital Employed	44
2.	Reconciliation with statutory accounts statement	45
2.1.	Reconciliation Statement	45
3.	Wholesale Service Statements	46
4.	Network Statement of Costs	52
5.	Service Cost Statement	54
6.	Routing Factor Matrix	58
7.	Retail Cost Orientation Statements	60
8.	Statement of transfer charges	63

Accounting Separation Report

Introduction

This resubmission of the ASR is based on Gibtelecom's ninth Accounting Separation Report (ASR) prepared since 2001 and covers the financial period 1 January 2013 to 31 December 2013. The original submission was made on 26 January 2015.

Gibtelecom has been designated by the Gibraltar Regulatory Authority (GRA) as having Significant Market Power (SMP) in the wholesale mobile, wholesale fixed and retail fixed markets. Gibtelecom is required to prepare and maintain accounting records to provide information to reflect as closely as possible the performance of these different activities within the business. The GRA has renewed the requirement for audited separated accounts to be provided on an annual basis from 2013, having only required them on a three yearly basis in the period immediately before.

In September 2014, the GRA released Document No 13/14 on 'Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification - Compliance under SMP obligations'. This Document was incremental to the high level principles to be applied to accounting separation, the methodology to be used for cost orientation, and the implementation of cost accounting systems put forward in previous GRA Decisions on accounting separation and cost accounting, including additional reporting requirements.

In June 2015, the GRA released Decision Notice C01/15 on 'Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification'. This Decision Notice consolidated documents 13/14, 01/11 and 07/08 and provided the high level principles to be applied to accounting separation, the methodology to be used for cost orientation, and the implementation of cost accounting systems. Gibtelecom has used these principles as the basis for the production of its separated accounts. Gibtelecom's first two ASRs (July 2001 and March 2004) had been prepared by external consultants in line with Historical Cost Accounting (HCA) principles. The third submission (November 2004) was prepared using the available in-house expertise and produced, for the first time, applying Current Cost Accounting (CCA) methodologies.

Gibtelecom submitted a fourth iteration of the ASR, also using CCA methodologies, in March 2009. In order to meet the new SMP requirements, in particular to provide separated financial information on wholesale fixed services, Gibtelecom contracted the services of external consultants to set-up and populate a completely new complex ASR costing model. A further ASR was submitted in September 2009. That report (the fixed services ASR) focused on fixed line services and identified the mobile profit and loss unit as a whole. An additional ASR (the sixth to that date), disaggregating wholesale mobile services, was subsequently submitted to the GRA in April 2010. The information contained in this later ASR was not available at the time the fixed services ASR was submitted. A seventh ASR, combining both fixed and mobile services for the first time, was submitted in September 2010. This submission was represented in December of the same year following some additional reporting requirements set by the GRA.

An eighth ASR, which again was produced entirely in-house, was submitted in September 2011, with an additional resubmission following in April 2012 with some revisions. The fixed ASR costing model was populated and used to separate the various wholesale and retail fixed business streams, together with calculating the mobile business as a unitary whole. A separate costing model was subsequently employed to disaggregate this business into wholesale mobile services. As from the 2009 financial data ASR (first submitted in September 2010), the ASR presents the combined results of each separate ASR exercise.

This ASR is titled "GIBTELECOM ASR 2013 FINANCIAL STATEMENTS". It contains the financial statements resulting from the ASR exercise. Two other documents; "GIBTELECOM ASR 2013 ACCOUNTING DOCUMENTS"; and "GIBTELECOM ASR 2013 ATTRIBUTION METHODOLOGY DOCUMENT" provide further supportive information on the work underpinning these financial statements. The separation of this information into three separate documents was a new requirement of a GRA Decision Notice issued in November 2011.

This resubmission includes added clarity and modifications following an extensive review carried out by the GRA, including the GRA's requirements set out in their Direction C06/15 of 1 September 2015. This Direction, amongst other things, required Gibtelecom to submit a revised ASR by 15 February 2016 (as well as the submission of Gibtelecom's 2014 financial data ASR by 15 December 2015). Following the resubmission of a revised ASR for the financial year 2013 in February 2016, the GRA informed Gibtelecom that further modifications were still needed. This particular resubmission of 28 October 2016 now being enclosed herein, contains those refinements, including basing the ASR on HCA methodologies (as well as for the 2014 ASR also being submitted separately on 28 October 2016)

Separated financial statements have been prepared for the following wholesale mobile and wholesale and retail fixed activities:

Activities

Wholesale Core Network	Fixed origination Fixed termination Leased lines Remaining activities Total core network
Wholesale Access Network	Unbundled access Broadband access Remaining activities Total access network
Retail	Fixed access Fixed domestic calling Fixed international calling Remaining activities Total retail
Wholesale mobile Network	Voice termination Remaining activities

The mobile separated accounts deal with the disaggregation of the wholesale mobile activities recorded in the fixed services ASR 2013 that covered wholesale core and access networks and retail services. As with the previous ASR submissions, the cost of Gibtelecom carrying Universal Service Obligations has not been factored into the interconnection charge.

The separated accounts are prepared in accordance with the accounting documents which set out the framework under which the statements are to be prepared.

1. REGULATORY FINANCIAL STATEMENTS – This document herein shows the separated accounts and includes new reporting statements required by the GRA through their Decision Notice C01/15. These include a Wholesale Service Statement; Network Statement of Costs; Service Cost Statement; and a Retail Price Compliance Statement. The Regulatory Financial Statements also show a Statement of Transfer Charges explaining how charges are raised and revenue recorded from Gibtelecom's various regulated businesses / activities, as well as a detailed routing factor matrix. For presentational purposes, the separated accounts shown herein may show minor rounding totalling differences.
2. ACCOUNTING DOCUMENT – This document explains the following: Regulatory accounting principles, which lay out the general rules by which the separated accounts should be prepared; accounting policies, which detail the accounting policies adopted in preparing the underlying financial information; description of the costing model; methods of revaluation; and a detailed description of the weighted average cost of capital (WACC) calculation.
3. ATTRIBUTION METHODOLOGY DOCUMENT – This document explains how revenue, costs, assets and liabilities are attributed to the network elements and activities. It also includes a description of each network element used for the regulated services and a description of the routing factors methodology, with a reference to the detailed routing factors matrix found in the Regulatory Financial Statements.

Statement of responsibility

The GRA has imposed SMP accounting separation obligations on Gibtelecom in the wholesale mobile voice termination market and a number of relevant fixed wholesale and retail markets. These obligations require Gibtelecom to compile profit and loss accounts, and associated statements of capital employed (balance sheets) for these relevant markets. These are known as SMP Regulated Accounts and are contained within the following three separate documents.

1. **FINANCIAL STATEMENTS** – This document herein shows the separated accounts and includes a Wholesale Service Statement; Network Statement of Costs; Service Cost Statement; and a Retail Price Compliance Statement. The Regulatory Financial Statements also show a Statement of Transfer Charges explaining how charges are raised and revenue recorded from Gibtelecom's various regulated businesses / activities, as well as a detailed routing factor matrix.
2. **ACCOUNTING DOCUMENT** – This document explains the following: Regulatory accounting principles, which lay out the general rules by which the separated accounts should be prepared; accounting policies, which detail the accounting policies adopted in preparing the underlying financial information; description of the costing model; methods of revaluation; and a detailed description of the weighted average cost of capital (WACC) calculation.
3. **ATTRIBUTION METHODOLOGY DOCUMENT** – This document explain how revenue, costs including transfer charges, assets and liabilities are attributed to the network elements and activities. It also contains a description of each network element used for the regulated services and a description of the routing factors methodology, with a reference to the detailed routing factors matrix found in the Regulatory Financial Statements.

The SMP Regulated Accounts for the year ended 31 December 2013 (resubmitted) comprise for each relevant market:

1. a profit and loss account; and
2. a statement of mean capital employed (balance sheet).

They also include:

3. a consolidation and reconciliation with the statutory accounts 2013;
4. descriptions of the costing methodologies used, including references to cost bases and standards, allocated and valuation methodologies, identification and treatment of indirect costs;
5. non-discrimination notes (transfer charges statement);
6. a routing factor matrix, as well as other related wholesale and retail service statements service statements, and
7. a description of accounting policies and regulatory accounting principles.

Gibtelecom confirms that the SMP Regulated Accounts for the year ended 31 December 2013 contained herein have been reconciled to the Gibtelecom audited statutory accounts and to the best of its knowledge and commitment have been prepared in accordance with the requirements of the relevant governing EU and Gibraltar communications legislation.



Tim Bristow
Board Director and Chief Executive Officer
27 October 2016



Dwayne Lara
Corporate & Regulatory Manager
27 October 2016

Report of the Independent Auditors, Deloitte Limited, to Gibtelecom Limited

We have examined the Regulatory Financial Statements of Gibtelecom Limited ("the Company") for the year ended 31 December 2013 (Resubmitted 28 October 2016) which have been prepared by the Company under the historical cost accounting and under the Company's attribution methodologies which are included in the Accounting Documents and Attribution Methodologies published with the Regulatory Financial Statements, together the "SMP Regulated Accounts". These SMP Regulated Accounts include information in respect of economic markets in which the Company has SMP obligations as determined by the Gibraltar Regulatory Authority (the "GRA").

This report is made solely to the Company's members, as a body. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our work, for this report, or for the opinions we have formed.

The Regulatory Financial Statements are prepared by the Company in accordance with:

- the Communications Act 2006;
- Decision Notice C01/15 – Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification (Consolidation of documents 13/14, 01/11 and 07/08) issued on 4 June 2015 and reiterated in Direction C06/2015 by the GRA;
- Relevant correspondence with the GRA in respect of historical cost accounting as detailed in Public Consultation C04/16 – Review of Cost Accounting Methodology issued by the GRA on 1 September 2016
- the Accounting Documents; and
- the Attribution Methodologies.

The Regulatory Financial Statements for the year ended 31 December 2013 include the following:

- Profit and loss statements for each of the services listed on page 5 of the Regulatory Financial Statements;
- Statements of mean capital employed for each of the services listed on page 5 of the Regulatory Financial Statements;
- Reconciliation with statutory accounts statement;
- Wholesale service statements for each of the services listed on page 5 of the Regulatory Financial Statements;
- Network statement of costs;
- Service cost statements;
- Routing factor matrix;
- Retail cost orientation statements;
- Statement of transfer charges;

Respective responsibilities of the Company and the auditor

The Company is responsible for the preparation and approval of these Regulatory Financial Statements in accordance with the basis of preparation set out in the Accounting Documents and Attribution Methodologies published in the SMP Regulated Accounts. Our responsibilities, as independent auditors, are established by the GRA statements and guidance and our profession's ethical guidance.

Decision Notice C01/15 – Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification (Consolidation of documents 13/14, 01/11 and 07/08) issued on 4 June 2015 by the GRA, we are required to report to you our opinion as to whether anything has come to our attention to indicate that the Regulatory Financial Statements do not in all material respects:

- present fairly and properly the revenues, costs and mean capital employed by each of the businesses and activities disclosed in page 5 of the Regulatory Financial Statements in accordance with the Accounting Documents and Attribution Methodologies; and
- comply with any relevant regulation, notice or decision issued by the GRA with respect to Accounting Separation and Cost Accounting.

Basis of opinion

The Company has prepared these Regulatory Financial Statements by disaggregating balances recorded in the general ledgers and other accounting records of the Company and its subsidiary maintained in accordance with the Companies Act and used in accordance with that Act, for the preparation of the Company's statutory consolidated financial statements for the year ended 31 December 2013 ("the Statutory Financial Statements").

We have audited the Statutory Financial Statements on which we expressed an unqualified audit opinion. In performing the audit of the Statutory Financial Statements, such tests were carried out of transactions and balances recorded in general ledgers and other accounting records of the Company as considered necessary to enable us to express that opinion. The statutory audit work concluded upon signature of the audit opinion on the Statutory Financial Statements. In conducting our examination of the Regulatory Financial Statements, and in providing the opinion below, we have not performed any additional tests of the transactions and balances recorded in the general ledger and other accounting records beyond those already performed for the purpose of our audit of the Statutory Financial Statements.

Having regard to the above:

- we conducted our audit in accordance with International Standards on Auditing. Our work included examination on a test basis, of evidence relevant to the amounts and disclosures in these Regulatory Financial Statements. It also included an assessment of the significant estimates and judgements made by the Company in their preparation; and
- we planned and performed our examination of these Regulatory Financial Statements so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to provide our opinion.

Opinion

In our opinion, nothing has come to our attention to indicate that the Regulatory Financial Statements do not in all material respects;

- present fairly and properly the revenues, costs and mean capital employed by each of the businesses and activities disclosed in these Regulatory Financial Statements as at 31 December 2013;
- comply with the Communications Act 2006 and in particular,
 - Decision Notice C01/15 – Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification (Consolidation of documents 13/14, 01/11 and 07/08) issued on 4 June 2015 by the GRA.

Other matters –comparative figures

Without qualifying our opinion, we draw attention to the following:

- We have not, as agreed between the Company and the GRA, examined the 2012 figures reported in the Regulatory Financial statements for the year ending 31 December 2013 as there are no figures available to report within the SMP Regulated Accounts for the year ended 31 December 2012 for comparative purposes. As an independent auditor's report on the Regulatory Financial Statements of the Company for the year ended 31 December 2012 was not required by the GRA, we have not examined this any further.



Deloitte Limited
Chartered Accountants
Merchant House
22/24 John Mackintosh Square
Gibraltar

28 October 2016

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SMP Regulated Financial Statements for the Year Ended 31 December 2013 *[resubmitted 28 October 2016]*

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1. Separated Accounts Schedules

1.1. The schedules for the various separated accounts are found below.

1.1.1 Wholesale Core Network Fixed Origination Profit and Loss

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	62
External sales	0.6
Regulated rate of return adjustment	-
Total turnover	63
Operating costs specific to service	
Depreciation	17
Employee related	30
Property related	54
Network & Maintenance, Regulator	34
Others	66
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	202
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	(139)

**1.1.2 Wholesale Core Network
Fixed Origination Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

Access Infrastructure	-
Access Equipment	-
Transmission Infrastructure	3
Transmission Equipment	1
Switching	66
Buildings	63
Other	22

Intangible fixed assets

Investments	-
-------------	---

Total fixed assets 155

Current assets

Stock	2
Debtors	57
Other	28

Total current assets 86

Creditors (74)

Provisions for liabilities and charges (5)

Mean capital employed 163

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return (139)

Mean capital employed 163

Return on mean capital employed -85.17%

**1.1.3 Wholesale Core Network
Fixed Termination Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	25
External sales	0.3
Regulated rate of return adjustment	-
Total turnover	26
Operating costs specific to service	
Depreciation	7
Employee related	12
Property related	22
Network & Maintenance, Regulator	14
Others	27
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	83
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	(57)

**1.1.4 Wholesale Core Network
Fixed Termination Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

Access Infrastructure	-
Access Equipment	-
Transmission Infrastructure	1
Transmission Equipment	0
Switching	27
Buildings	26
Other	9

Intangible fixed assets

Investments	-
-------------	---

Total fixed assets 64

Current assets

Stock	1
Debtors	23
Other	11

Total current assets 35

Creditors (30)

Provisions for liabilities and charges (2)

Mean capital employed 67

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return (57)

Mean capital employed 67

Return on mean capital employed -85.36%

**1.1.5 Wholesale Core Network
Leased Lines Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	1,075
External sales	13
Regulated rate of return adjustment	-
Total turnover	1,088
Operating costs specific to service	
Depreciation	626
Employee related	149
Property related	2
Network & Maintenance, Regulator	1
Others	39
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	816
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	272

**1.1.6 Wholesale Core Network
Leased Lines Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

Access Infrastructure	-
Access Equipment	-
Transmission Infrastructure	4,912
Transmission Equipment	1,513
Switching	-
Buildings	11
Other	39

Intangible fixed assets

Investments

-
-

Total fixed assets

6,474

Current assets

Stock

Debtors

Other

3
23
834

Total current assets

860

Creditors

(2,071)

Provisions for liabilities and charges

(147)

Mean capital employed

5,116

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return

272

Mean capital employed

5,116

Return on mean capital employed

5.31%

**1.1.7 Wholesale Core Network
Remaining Activities Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	12,330
External sales	2.0
Regulated rate of return adjustment	-
Total turnover	12,332
Operating costs specific to service	
Depreciation	3,268
Employee related	2,213
Property related	813
Network & Maintenance, Regulator	662
Others	3,147
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	10,102
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	2,230

**1.1.8 Wholesale Core Network
Remaining Activities Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

Access Infrastructure	-
Access Equipment	-
Transmission Infrastructure	12,020
Transmission Equipment	3,844
Switching	4,870
Buildings	693
Other	918

Intangible fixed assets

Investments -

Total fixed assets 22,346

Current assets

Stock	145
Debtors	754
Other	3,069

Total current assets 3,968

Creditors (7,861)

Provisions for liabilities and charges (541)

Mean capital employed 17,912

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return 2,230

Mean capital employed 17,912

Return on mean capital employed 12.45%

**1.1.9 Wholesale Core Network
TOTAL Activities Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	13,493
External sales	15.7
Regulated rate of return adjustment	-
Total turnover	13,508
Operating costs specific to service	
Depreciation	3,917
Employee related	2,405
Property related	891
Network & Maintenance, Regulator	711
Others	3,279
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	11,203
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	2,306

1.1.10 Wholesale Core Network
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

Access Infrastructure	-
Access Equipment	-
Transmission Infrastructure	16,936
Transmission Equipment	5,358
Switching	4,962
Buildings	793
Other	989

Intangible fixed assets

Investments

Total fixed assets **29,038**

Current assets

Stock	150
Debtors	856
Other	3,943

Total current assets **4,950**

Creditors **(10,035)**

Provisions for liabilities and charges **(694)**

Mean capital employed **23,258**

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return **2,306**

Mean capital employed **23,258**

Return on mean capital employed **9.91%**

**1.1.11 Wholesale Access Network
Unbundled Access Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	2,271
External sales	-
Regulated rate of return adjustment	-
Total turnover	2,271
Operating costs specific to service	
Depreciation	209
Employee related	1,486
Property related	7
Network & Maintenance, Regulator	4
Others	366
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	2,073
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	199

**1.1.12 Wholesale Access Network
Unbundled Access Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

Access Infrastructure	2,041
Access Equipment	22
Transmission Infrastructure	-
Transmission Equipment	-
Switching	-
Buildings	39
Other	116

Intangible fixed assets

Investments

Total fixed assets **2,218**

Current assets

Stock	0
Debtors	75
Other	274

Total current assets **349**

Creditors **(923)**

Provisions for liabilities and charges **(48)**

Mean capital employed **1,596**

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return **199**

Mean capital employed **1,596**

Return on mean capital employed **12.45%**

**1.1.13 Wholesale Access Network
Broadband Access Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	3,567
External sales	-
Regulated rate of return adjustment	-
Total turnover	3,567
Operating costs specific to service	
Depreciation	638
Employee related	1,781
Property related	41
Network & Maintenance, Regulator	172
Others	543
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	3,176
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	391

**1.1.14 Wholesale Access Network
Broadband Access Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

Access Infrastructure	714
Access Equipment	2,806
Transmission Infrastructure	-
Transmission Equipment	-
Switching	-
Buildings	70
Other	305

Intangible fixed assets

Investments

Total fixed assets

3,894

Current assets

Stock

Debtors

Other

7

138

369

Total current assets

514

Creditors

(1,201)

Provisions for liabilities and charges

(65)

Mean capital employed

3,142

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return

391

Mean capital employed

3,142

Return on mean capital employed

12.45%

**1.1.15 Wholesale Access Network
Remaining Activities Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	26
External sales	-
Regulated rate of return adjustment	-
Total turnover	26
Operating costs specific to service	
Depreciation	0
Employee related	12
Property related	-
Network & Maintenance, Regulator	-
Others	13
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	26
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	0.2

**1.1.16 Wholesale Access Network
Remaining Activities Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

Access Infrastructure	-
Access Equipment	-
Transmission Infrastructure	-
Transmission Equipment	-
Switching	-
Buildings	-
Other	3

Intangible fixed assets

Investments	-
-------------	---

Total fixed assets **3**

Current assets

Stock	0
Debtors	1
Other	0

Total current assets **1**

Creditors **(2)**

Provisions for liabilities and charges **(0)**

Mean capital employed **1**

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return **0.2**

Mean capital employed **1**

Return on mean capital employed **12.45%**

**1.1.17 Wholesale Access Network
TOTAL Activities Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	5,864
External sales	-
Regulated rate of return adjustment	-
Total turnover	5,864
Operating costs specific to service	
Depreciation	848
Employee related	3,280
Property related	48
Network & Maintenance, Regulator	176
Others	922
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	5,274
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	590

1.1.18 Wholesale Access Network
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

Access Infrastructure	2,755
Access Equipment	2,828
Transmission Infrastructure	-
Transmission Equipment	-
Switching	-
Buildings	109
Other	424

Intangible fixed assets

Investments

Total fixed assets

6,115

Current assets

Stock

Debtors

Other

7

213

643

Total current assets

864

Creditors

(2,126)

Provisions for liabilities and charges

(113)

Mean capital employed

4,739

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return

590

Mean capital employed

4,739

Return on mean capital employed

12.45%

**1.1.19 Wholesale Mobile Network
Voice Termination Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	427
External sales	2.0
Regulated rate of return adjustment	-
Total turnover	429
Operating costs specific to service	
Depreciation	257
Employee related	6
Property related	19
Network & Maintenance, Regulator	3
Others	179
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	464
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	-
Return	(35)

**1.1.20 Wholesale Mobile Network
Voice Termination Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

	-
	-
	-
Mobile Access	711
Mobile Core	978
Buildings	21
Other	31
Intangible fixed assets	-
Investments	-

Total fixed assets **1,741**

Current assets

Stock	0
Debtors	48
Other	89

Total current assets **137**

Creditors **(222)**

Provisions for liabilities and charges **(16)**

Mean capital employed **1,640**

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return **(35)**

Mean capital employed **1,640**

Return on mean capital employed **-2.11%**

**1.1.21 Wholesale Mobile Network
Remaining Activities Profit and Loss**

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-13 £000s
Turnover	
Internal sales	1,538
External sales	-
Regulated rate of return adjustment	-
Total turnover	1,538
Operating costs specific to service	
Depreciation	575
Employee related	13
Property related	41
Network & Maintenance, Regulator	8
Others	400
Exceptional operating costs specific to service	-
Exceptional charges from other services	-
Total HCA operating costs	1,037
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	-
Return	501

**1.1.22 Wholesale Mobile Network
Remaining Activities Mean Capital Employed**

STATEMENT OF MEAN CAPITAL EMPLOYED

**as at
31-Dec-13
£000s**

Fixed assets

Tangible fixed assets

	-
	-
	-
Mobile Access	1,712
Mobile Core	2,356
Buildings	51
Other	74
Intangible fixed assets	-
Investments	-

Total fixed assets **4,193**

Current assets

Stock	0
Debtors	108
Other	146

Total current assets **254**

Creditors **(364)**

Provisions for liabilities and charges **(26)**

Mean capital employed **4,057**

RETURN ON MEAN CAPITAL EMPLOYED

**12 months to
31-Dec-13
£000s**

Return **501**

Mean capital employed **4,057**

Return on mean capital employed **12.35%**

**1.1.23 Retail
Fixed Access Profit and Loss**

PROFIT AND LOSS ACCOUNT	
	12 months to 31-Dec-13 £000s
Turnover	
Internal	-
External	7,046
Total turnover	7,046
Operating costs	
Operating costs specific to Retail	
Cost of Sales	37
Employee Costs	403
Retail Operations	547
HCA Depreciation	39
Common Costs	92
Transfer charges from Core Network	-
Transfer charges from Local Access Network	5,864
Exceptional operating costs specific to Retail	-
Exceptional transfer charges from Core Network	-
Exceptional transfer charges from Local Access Network	-
Total HCA operating costs	6,983
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	64

1.1.24 Retail
Fixed Access Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

Buildings	210
Vehicles	4
Computers	17
Furniture/Office equipment	13
Other	34

Intangible fixed assets

-

Investments

-

Total fixed assets

278

Current assets

Stock

3

Debtors

1,331

Other

171

Total current assets

1,505

Creditors

(3,461)

Provisions for liabilities and charges

(30)

Mean capital employed

(1,708)

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return

64

Mean capital employed

(1,708)

Return on mean capital employed

N/A

1.1.25 Retail
Fixed Domestic Calling Profit and Loss

PROFIT AND LOSS ACCOUNT	
	12 months to 31-Dec-13 £000s
Turnover	
Internal	-
External	2,025
Total turnover	2,025
Operating costs	
Operating costs specific to Retail	
Cost of Sales	360
Employee Costs	281
Retail Operations	188
HCA Depreciation	27
Common Costs	45
Transfer charges from Core Network	1,118
Transfer charges from Local Access Network	-
Exceptional operating costs specific to Retail	-
Exceptional transfer charges from Core Network	-
Exceptional transfer charges from Local Access Network	-
Total HCA operating costs	2,020
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	5

1.1.26 Retail
Fixed Domestic Calling Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

Buildings	141
Vehicles	2
Computers	12
Furniture/Office equipment	10
Other	23

Intangible fixed assets

-

Investments

-

Total fixed assets

188

Current assets

Stock

2

Debtors

2,063

Other

84

Total current assets

2,148

Creditors

(1,820)

Provisions for liabilities and charges

(15)

Mean capital employed

502

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return

5

Mean capital employed

502

Return on mean capital employed

1%

1.1.27 Retail
Fixed International Calling Profit and Loss

PROFIT AND LOSS ACCOUNT	
	12 months to 31-Dec-13 £000s
Turnover	
Internal	-
External	1,672
Total turnover	1,672
Operating costs	
Operating costs specific to Retail	
Cost of Sales	1,029
Employee Costs	162
Retail Operations	121
HCA Depreciation	15
Common Costs	122
Transfer charges from Core Network	208
Transfer charges from Local Access Network	-
Exceptional operating costs specific to Retail	-
Exceptional transfer charges from Core Network	-
Exceptional transfer charges from Local Access Network	-
Total HCA operating costs	1,657
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	15

1.1.28 Retail
Fixed International Calling Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

Buildings	79
Vehicles	1
Computers	7
Furniture/Office equipment	5
Other	13

Intangible fixed assets

Investments -

Total fixed assets 105

Current assets

Stock 1

Debtors 1,454

Other 225

Total current assets 1,681

Creditors (1,416)

Provisions for liabilities and charges (40)

Mean capital employed 330

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return 15

Mean capital employed 330

Return on mean capital employed 5%

1.1.29 Retail
Remaining Activities Profit and Loss

PROFIT AND LOSS ACCOUNT	
	12 months to 31-Dec-13 £000s
Turnover	
Internal	-
External	31,196
Total turnover	31,196
Operating costs	
Operating costs specific to Retail	
Cost of Sales	2,827
Employee Costs	2,071
Retail Operations	3,795
HCA Depreciation	200
Common Costs	843
Transfer charges from Core Network	14,135
Transfer charges from Local Access Network	-
Exceptional operating costs specific to Retail	-
Exceptional transfer charges from Core Network	-
Exceptional transfer charges from Local Access Network	-
Total HCA operating costs	23,872
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	7,324

1.1.30 Retail
Remaining Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

Buildings	1,083
Vehicles	33
Computers	75
Furniture/Office equipment	62
Other	174

Intangible fixed assets

Investments

Total fixed assets **1,427**

Current assets

Stock

Debtors

Other

Total current assets **6,485**

Creditors **(6,300)**

Provisions for liabilities and charges **(275)**

Mean capital employed **1,338**

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return **7,324**

Mean capital employed **1,338**

Return on mean capital employed **547%**

1.1.31 Retail
TOTAL Activities Profit and Loss

PROFIT AND LOSS ACCOUNT	
	12 months to 31-Dec-13 £000s
Turnover	
Internal	-
External	41,939
Total turnover	41,939
Operating costs	
Operating costs specific to Retail	
Cost of Sales	4,253
Employee Costs	2,918
Retail Operations	4,652
HCA Depreciation	281
Common Costs	1,102
Transfer charges from Core Network	15,461
Transfer charges from Local Access Network	5,864
Exceptional operating costs specific to Retail	-
Exceptional transfer charges from Core Network	-
Exceptional transfer charges from Local Access Network	-
Total HCA operating costs	34,532
Other Adjustments	
Other 1	-
Other 2	-
Total Other Adjustments	0
Return	7,407

1.1.32 Retail
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED

as at
31-Dec-13
£000s

Fixed assets

Tangible fixed assets

Buildings	1,513
Vehicles	40
Computers	111
Furniture/Office equipment	91
Other	243

Intangible fixed assets

-

Investments

-

Total fixed assets

1,998

Current assets

Stock

950

Debtors

8,830

Other

2,040

Total current assets

11,820

Creditors

(12,997)

Provisions for liabilities and charges

(359)

Mean capital employed

462

RETURN ON MEAN CAPITAL EMPLOYED

12 months to
31-Dec-13
£000s

Return

7,407

Mean capital employed

462

Return on mean capital employed

1604%

2. Reconciliation with statutory accounts statement

2.1. Reconciliation Statement

	Turnover (£)	Cost (£)	Return (£)
Wholesale Core Network			
Fixed Origination	62,735	201,675	-138,940
Fixed Termination	25,573	82,622	-57,049
Leased Lines	1,087,697	815,995	271,702
Remaining activities	12,332,467	10,102,420	2,230,047
Wholesale Access Network			
Unbundled Access	2,271,238	2,072,552	198,685
Broadband Access	3,566,778	3,175,592	391,187
Remaining activities	25,938	25,781	157
Wholesale Mobile Network			
	1,967,114	1,500,868	466,246
Retail			
Fixed Access	7,046,206	6,982,629	63,577
Fixed Domestic calling	2,024,619	2,019,724	4,895
Fixed International calling	1,672,332	1,657,314	15,018
Remaining activities	31,196,095	23,872,463	7,323,632
<i>Retail Mobile Network</i>	<i>9,210,967</i>	<i>5,070,211</i>	<i>4,140,756</i>
<i>Remaining Activities</i>	<i>21,985,128</i>	<i>18,802,252</i>	<i>3,182,876</i>
Total	63,278,792	52,509,634	10,769,158
Adjustments:			
Elimination of transfer charges	21,323,582	21,323,582	0
Dividends payable			5,800,000
Corporation Tax			1,332,739
Interest receivable			-7,367
Interest payable			384,643
Other finance adjustments			78,000
Impairments			0
Other statutory adjustments			-2,000
Other Adjustments 1		0	0
Other Adjustments 2 (roundings)	246	1,518	-1,272
Total Adjustments	21,323,828	21,325,100	7,584,743
As per statutory accounts	41,954,964	31,184,534	3,184,415

Note: it is possible that some values on this page do not cross-cast exactly, due to minor rounding differences

3. Wholesale Service Statements

Access Network - Unbundled Network

Market Summary

	Revenue			Total Operating Costs £'000	Return £'000	Mean Capital Employed £'000	ROCE
	External £'000	Internal £'000	Total £'000				
Current year	-	2,271	2,271	2,073	199	1,596	12.45%
Prior year							

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External	Internal	Total	External	Internal	Total			per unit External	per unit Internal		
	£'000	£'000	£'000	N ^o	N ^o	N ^o			£	£		
Access loop	-	2,271	2,271	-	23,497	23,497	2,073	Lines	-	97	97	1.00
<i>Totals</i>	-	2,271										

Service Prior Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External	Internal	Total	External	Internal	Total			per unit External	per unit Internal		
	£'000	£'000	£'000	N ^o	N ^o	N ^o			£	£		
Access loop												
<i>Totals</i>												

Access Network - Broadband Access

Market Summary

	Revenue			Total Operating Costs £'000	Return £'000	Mean Capital Employed £'000	ROCE
	External £'000	Internal £'000	Total £'000				
Current year	-	3,567	3,567	3,176	391	3,142	12.45%
Prior year							

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External	Internal	Total	External	Internal	Total			External	Internal		
	£'000	£'000	£'000	N ^o	N ^o	N ^o			£	£		
DSL Lines	-	3,567	3,567	-	12,175	12,175	3,176	Lines	-	293	293	1.00
<i>Totals</i>	<u>-</u>	<u>3,567</u>										

Service Prior Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External	Internal	Total	External	Internal	Total			External	Internal		
	£'000	£'000	£'000	N ^o	N ^o	N ^o			£	£		
DSL Lines												
<i>Totals</i>												

Core Network - Fixed origination

Market Summary

	Revenue			Total Operating Costs £'000	Return £'000	Mean Capital Employed £'000	ROCE
	External £'000	Internal £'000	Total £'000				
Current year	0.6	62	63	202	-139	163	-85.17%
Prior year							

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
National fixed call origination	0.6	62	63	0.070	7	7	202	Mbps	9,158	9,158	32,920	0.28
				121,802	11,714,969	11,836,771		mins	0.005	0.0053	0.019	
<i>Totals</i>	<u><u>1</u></u>	<u><u>62</u></u>										

Service Prior Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
National fixed call origination												
<i>Totals</i>	<u><u></u></u>	<u><u></u></u>										

Core Network - Fixed termination

Market Summary

	Revenue			Total Operating Costs £'000	Return £'000	Mean Capital Employed £'000	ROCE
	External £'000	Internal £'000	Total £'000				
Current year	0.27	25	26	83	-57	67	-85.36%
Prior year							

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
National fixed call termination	0.27	25	26	0.03	3	3	83	Mbps	9,158	9,158	32,920	0.28
				51,359	4,773,702	4,825,061		mins	0.0053	0.0053	0.019	
<i>Totals</i>	<u>0.27</u>	<u>25</u>										

Service Prior Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
National fixed call termination												
<i>Totals</i>												

Core Network - Leased lines

Market Summary

	Revenue			Total Operating Costs £'000	Return £'000	Mean Capital Employed £'000	ROCE
	External £'000	Internal £'000	Total £'000				
Current year	12.8	1,075	1,088	816	272	5,116	5.31%
Prior year							

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Weighted Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
	National leased circuit	12.8	1,075	1,088	6.1	1,999			2,005	816		
<i>Totals</i>	<u>12.8</u>	<u>1,075</u>										

Service Prior Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
	National leased circuit											
<i>Totals</i>												

Mobile voice termination

Market Summary

	Revenue			Total Operating Costs £'000	Return £'000	Mean Capital Employed £'000	ROCE
	External £'000	Internal £'000	Total £'000				
Current year	2.0	427	429	464	-35	1,640	-2.11%
Prior year							

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
Mobile voice termination	2.0	427	429	66,855	14,233,134	14,299,989	464	Mins	0.03	0.03	0.05	0.64
<i>Totals</i>	<u>2.0</u>	<u>427</u>										

Service Prior Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue per unit		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N ^o	Internal N ^o	Total N ^o			External £	Internal £		
Mobile voice termination												
<i>Totals</i>												

4. Network Statement of Costs

For the current year

Network component	HCA Operating Cost	HCA Depreciation	Other Adjustments	Total HCA Operating Costs	HCA Mean Capital Employed	Applicable Rate of Return	Capital Cost	Total of Operating & Capital Costs	Volume	Unit	Average Cost Per Unit
Access Loops	2,511,981	279,572	-	2,791,552	2,184,510	12.45%	271,971	3,063,524	23,935	Lines	128
DSLAM	1,895,572	566,776	-	2,462,348	2,585,926	12.45%	321,948	2,784,296	12,175	Lines	229
Line Cards	38,737	6,553	-	45,289	7,437	12.45%	926	46,215	25,313	Lines	2
National transmission equipment	152,769	343,672	-	496,442	1,473,517	12.45%	183,453	679,895	8,926	Mbps	76
National transmission infrastructure	138,510	1,282,130	-	1,420,640	10,643,367	12.45%	1,325,099	2,745,739	5,197	Mbps	528
National transmission ducts & cables	183,894	148,698	-	332,592	1,783,018	12.45%	221,986	554,577	5,197	Mbps	107
Remote Concentrators	544,191	61,864	-	606,056	966,480	12.45%	120,327	726,383	73	Mbps	9,949
Switching	989,779	68,612	-	1,058,391	419,201	12.45%	52,191	1,110,581	50	Mbps	22,262
Mobile	668,725	828,592	-	1,497,317	5,685,756	12.45%	707,877	2,205,193	14,299,989	min	0.15
TOTAL	7,124,158	3,586,469	-	10,710,627	25,749,214		3,205,777	13,916,404			

For the prior year

Network component	HCA Operating Cost	HCA Depreciation	Other Adjust- ments	Total HCA Operating Costs	HCA Mean Capital Employed	Applicable Rate of Return	Capital Cost	Total of Operating & Capital Costs	Volume	Unit	Average Cost Per Unit
Access Loops										Lines	
DSLAM										Lines	
Line Cards										Lines	
National transmission equipment										Mbps	
National transmission infrastructure										Mbps	
National transmission ducts & cables										Mbps	
Remote Concentrators										Mbps	
Switching										Mbps	
Mobile										min	
TOTAL											

5. Service Cost Statement

For the current year

Network component	Unit	Average Cost Per Unit	Unbundled Network	Broadband Access	Fixed Origination	Fixed Termination	Leased Lines	Mobile
			Full access loop	DSL Line	National Fixed Origination	National Fixed Termination	National Leased Circuits	Mobile Voice Termination
Routing Factors								
Access Loops	Lines	128.00	0.7409	0.5000	-	-	0.1149	-
DSLAM	Lines	228.69	-	1.0000	-	-	-	-
Line Cards	Lines	1.83	1.0000	0.1492	-	-	-	-
National transmission equipment	Mbps	76.17	-	-	0.9735	0.9735	0.9272	-
National transmission infrastructure	Mbps	528.35	-	-	1.0000	1.0000	1.0000	-
National transmission ducts & cables	Mbps	106.72	-	-	1.0000	1.0000	1.0000	-
Remote Concentrators	Mbps	9,948.83	-	-	1.0000	1.0000	-	-
Switching	Mbps	22,261.55	-	-	1.0000	1.0000	-	-
Mobile	min	0.15	-	-	-	-	-	0.3035

For the prior year

Network component	Unit	Average Cost Per Unit	Unbundled Network	Broadband Access	Fixed Origination	Fixed Termination	Leased Lines	Mobile
			Full access loop	DSL Line	National Fixed Origination	National Fixed Termination	National Leased Circuits	Mobile Voice Termination
Routing Factors								
Access Loops	Lines							
DSLAM	Lines							
Line Cards	Lines							
National transmission equipment	Mbps							
National transmission infrastructure	Mbps							
National transmission ducts & cables	Mbps							
Remote Concentrators	Mbps							
Switching	Mbps							
Mobile	min							

Service cost statement – costing of services using routing factors

For the current year

Network component	Unit	Average Cost Per Unit	Unbundled Network	Broadband Access	Fixed Origination	Fixed Termination	Leased Lines	Mobile
			Full access loop	DSL Line	National Fixed Origination	National Fixed Termination	National Leased Circuits	Mobile Voice Termination
			£/unit					
Access Loops	Lines	128.00	94.84	64.00	-	-	14.71	-
DSLAM	Lines	228.69	-	228.69	-	-	-	-
Line Cards	Lines	1.83	1.83	0.27	-	-	-	-
National transmission equipment	Mbps	76.17	-	-	74.15	74.15	70.62	-
National transmission infrastructure	Mbps	528.35	-	-	528.35	528.35	528.35	-
National transmission ducts & cables	Mbps	106.72	-	-	106.72	106.72	106.72	-
Remote Concentrators	Mbps	9,948.83	-	-	9,948.83	9,948.83	-	-
Switching	Mbps	22,261.55	-	-	22,261.55	22,261.55	-	-
Mobile	min	0.15	-	-	-	-	-	0.05
TOTAL FAC			96.66	292.96	32,919.60	32,919.60	720.40	0.05

For the prior year

Network component	Unit	Average Cost Per Unit	Unbundled Network	Broadband Access	Fixed Origination	Fixed Termination	Leased Lines	Mobile
			Full access loop	DSL Line	National Fixed Origination	National Fixed Termination	National Leased Circuits	Mobile Voice Termination
			£/unit					
Access Loops	Lines							
DSLAM	Lines							
Line Cards	Lines							
National transmission equipment	Mbps							
National transmission infrastructure	Mbps							
National transmission ducts & cables	Mbps							
Remote Concentrators	Mbps							
Switching	Mbps							
Mobile	min							
TOTAL FAC								

6. Routing Factor Matrix

For the current year

Network component	National fixed call origination	National fixed call termination	National fixed call delivery (on-net call)	Wholesale Access Loops	Wholesale DSL Loop	Bitstream broadband	Gateway access	National leased circuit	International leased circuit	Mobile Wholesale	Mobile Voice Termination
Access loops	-	-	-	0.7409	0.5000	-	-	2.0000	-	-	-
DSLAM	-	-	-	-	1.0000	-	-	-	-	-	-
Line Card	-	-	-	1.0000	0.1492	-	-	-	-	-	-
CPE	-	-	-	-	-	-	-	-	-	-	-
National Transmission Equipment	0.9735	0.9735	1.9469	-	-	0.8206	-	0.9272	-	-	-
National Transmission Infrastructure	1.0000	1.0000	2.0000	-	-	-	-	1.0000	-	-	-
National Transmission Ducts and Cables	1.0000	1.0000	2.0000	-	-	-	-	1.0000	-	-	-
International Transmission Equipment	-	-	-	-	-	-	-	-	1.0000	-	-
International Transmission Infrastructure	-	-	-	-	-	-	-	-	1.0000	-	-
International Transmission Ducts and Cables	-	-	-	-	-	-	-	-	1.0000	-	-
RCU	1.0000	1.0000	2.0000	-	-	-	-	-	-	-	-
Switching	1.0000	1.0000	1.0000	-	-	-	-	-	-	-	-
VAS platforms	-	-	-	-	-	-	1.0000	-	-	-	-
Core IP network equipment	-	-	-	-	-	-	1.0000	-	-	-	-
Mobile	-	-	-	-	-	-	-	-	-	1.0000	0.3035

For the prior year

Network component	National fixed call origination	National fixed call termination	National fixed call delivery (on-net call)	Wholesale Access Loops	Wholesale DSL Loop	Bitstream broadband	Gateway access	National leased circuit	International leased circuit	Mobile Wholesale	Mobile Voice Termination
Access loops DSLAM Line Card CPE National Transmission Equipment National Transmission Infrastructure National Transmission Ducts and Cables International Transmission Equipment International Transmission Infrastructure International Transmission Ducts and Cables RCU Switching VAS platforms Core IP network equipment Mobile											

7. Retail Cost Orientation Statements

Retail Fixed Access

For the current year

Retail Service	Revenue	Wholesale Charges	Retail Direct Costs	Retail Shared Costs	Retail Mark Up	Floor	Retail Common Costs	Ceiling	Volume Units	Unit Floor Costs	Unit Ceiling Costs	Retail Unit Charge
Line Rental	7,046,206	5,863,954	1,026,602	4,733	352,310.29	7,247,599	87,340	7,334,939	23,497	308.45	312.16	299.88

For the prior year

Retail Service	Revenue	Wholesale Charges	Retail Direct Costs	Retail Shared Costs	Retail Mark Up	Floor	Retail Common Costs	Ceiling	Volume Units	Unit Floor Costs	Unit Ceiling Costs	Retail Unit Charge
Line Rental												

Retail fixed domestic calling

For the current year

Retail Service	Revenue	Wholesale Charges	Retail Direct Costs	Retail Shared Costs	Retail Mark Up	Floor	Retail Common Costs	Ceiling	Volume Units	Unit Floor Costs	Unit Ceiling Costs	Retail Unit Charge
Fixed to Mobile	1,235,867	194,215	611,982	1,191	61,793	869,181	21,982	891,163	11,652,322	0.07	0.08	0.11
National calling	788,752	924,031	244,723	1,110	39,438	1,209,302	20,490	1,229,792	41,880,142	0.03	0.03	0.02

For the prior year

Retail Service	Revenue	Wholesale Charges	Retail Direct Costs	Retail Shared Costs	Retail Mark Up	Floor	Retail Common Costs	Ceiling	Volume Units	Unit Floor Costs	Unit Ceiling Costs	Retail Unit Charge
Fixed to Mobile												
National calling												

Retail fixed international calling

For the current year

Retail Service	Revenue	Wholesale Charges	Retail Direct Costs	Retail Shared Costs	Retail Mark Up	Floor	Retail Common Costs	Ceiling	Volume Units	Unit Floor Costs	Unit Ceiling Costs	Retail Unit Charge
International Direct Dialling	1,672,332	207,904	1,327,125	6,286	83,617	1,624,931	115,999	1,740,931	10,051,508	0.16	0.17	0.17

For the prior year

Retail Service	Revenue	Wholesale Charges	Retail Direct Costs	Retail Shared Costs	Retail Mark Up	Floor	Retail Common Costs	Ceiling	Volume Units	Unit Floor Costs	Unit Ceiling Costs	Retail Unit Charge
International Direct Dialling												

8. Statement of transfer charges

Price Volume Data for Transfer Charge Matrix

Retail service	Wholesale service	Cost-based Rate (£)	Regulated or External Rate (£)	Applied Rate (£)	Billing Unit	Service Volume	Total (£000)
Fixed access		Access Network					
	Unbundled Local Loops	96.66		96.66	Lines	23,497	2,271
	Broadband Access	292.96		292.96	Lines	12,175	3,567
	Remainder (mainly CPE)	4.00		4.00	Lines	6,483	26
Total							5,864
Fixed domestic calling		Core network					
	Fixed origination INTERNAL	0.0189	0.0053	0.0053	mins	11,714,969	62
	Fixed origination EXTERNAL	0.0189	0.0053	0.0053	mins	121,802	0.6
	National calling	0.0252		0.0252	mins	41,880,142	1,056
Total							1,119
Fixed international calling		Core network					
	International calling	0.02068		0.02068	mins	10,051,508	208
Total							208
Remaining Activities		Core network					
	Fixed termination INTERNAL	0.0190	0.0053	0.0053	mins	4,773,702	25
	Fixed termination EXTERNAL	0.0190	0.0053	0.0053	mins	51,359	0.3
	Leased Lines INTERNAL	720	538	538	Mbps	1,999	1,075
	Leased Lines EXTERNAL	720	2102	2102	Mbps	6	12.8
	Remaining Core			<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>	11,068
Total							12,181
Mobile		Core Network					
	Mobile termination INTERNAL	0.047	0.030	0.030	mins	14,233,134	427
	Mobile termination EXTERNAL	0.047	0.030	0.030	mins	66,855	2.0
	Remaining Activities			<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>	1,538
Total							1,967

Note 1: "Remaining" are composed of a basket of non-regulated services and only a total can be provided. Transfer Charges for all services in this category are cost-based applying regulated WACC.

Transfer Charges Matrix

		Retail				Wholesale Fixed Access Network			Wholesale Core Network				Wholesale Mobile		
		Fixed Access	Fixed national calling	Fixed international calling	Remaining Activities	Unbundled Local Loops	DSL Lines	Remaining Activities	Call origination	Call termination	Leased lines	Remaining Activities	Voice termination	Remaining Activities	
Retail	Fixed Access		-	-	-	2,271	3,567	26	-	-	-	-	-	-	
	Fixed domestic calling	-		-	-	-	-	-	62	-	-	1,056	-	-	
	Fixed international calling	-	-		-	-	-	-	-	-	-	208	-	-	
	Remaining activities	-	-	-		-	-	-	-	25	1,075	11,068	427	1,538	
Wholesale	Unbundled Local Loops	2,271	-	-	-		-	-	-	-	-	-	-	-	
Fixed access	Broadband Access	3,567	-	-	-	-		-	-	-	-	-	-	-	
	Remaining activities	26	-	-	-	-	-		-	-	-	-	-	-	
Wholesale	Fixed Call origination	-	62	-	-	-	-	-		-	-	-	-	-	
Fixed core	Fixed Call termination	-	-	-	25	-	-	-	-		-	-	-	-	
	Leased lines	-	-	-	1,075	-	-	-	-	-		-	-	-	
	Remaining activities	-	1,056	208	11,068	-	-	-	-	-	-		-	-	
Wholesale	Mobile core	-	-	-	427	-	-	-	-	-	-	-		-	
	Remaining activities	-	-	-	1,538	-	-	-	-	-	-	-	-		
Total from Matrix:		5,864	1,118	208	14,133	2,271	3,567	26	62	25	1,075	12,332	-	427	1,538

All amounts in £'000

End of Regulatory Financial Statements