

GIBTELECOM
SMP REGULATED ACCOUNTS
FOR YEAR ENDED 31 DECEMBER 2014

Gibtelecom

REGULATORY FINANCIAL STATEMENTS
[resubmitted 28 October 2016]

Gibtelecom SMP Regulated Accounts

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Accounting Separation Report

Introduction

This resubmission of the ASR is based on Gibtelecom's tenth Accounting Separation Report (ASR) prepared since 2001 and covers the financial period 1 January 2014 to 31 December 2014. The original submission was made on 11 December 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 2014 FINANCIAL STATEMENTS". It contains the financial statements resulting from the ASR exercise. Two other documents; "GIBTELECOM ASR 2014 ACCOUNTING DOCUMENTS"; and "GIBTELECOM ASR 2014 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 December 2015 (as well as the submission of Gibtelecom's 2013 financial data ASR by 15 February 2016). 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 2013 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 2014 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 2014 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 2014;
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 2014 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
28 October 2016



Dwayne Lara
Corporate & Regulatory Manager
28 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 2014 (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 2014 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 2014 ("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.

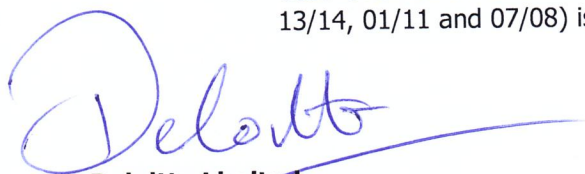
Having regard to the above:

- 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 2014;
- 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.



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 2014 *[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-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	35	62.1
External sales	-	0.6
Regulated rate of return adjustment	-	-
Total turnover	35	63
Operating costs specific to service		
Depreciation	17	17
Employee related	31	30
Property related	47	54
Network & Maintenance, Regulator	46	34
Others	43	66
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	185	202
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	(149)	(139)

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	-	-
Access Equipment	-	-
Transmission Infrastructure	3	3
Transmission Equipment	1	1
Switching	54	66
Buildings	74	63
Other	20	22
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	152	155
Current assets		
Stock	1	2
Debtors	59	57
Other	23	28
Total current assets	83	86
Creditors	(75)	(74)
Provisions for liabilities and charges	(6)	(5)
Mean capital employed	154	163

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	(149)	(139)
Mean capital employed	154	163
Return on mean capital employed	-97.14%	-85.17%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	15	25.3
External sales	0.2	0.3
Regulated rate of return adjustment	-	-
Total turnover	15	26
Operating costs specific to service		
Depreciation	7	7
Employee related	14	12
Property related	20	22
Network & Maintenance, Regulator	20	14
Others	19	27
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	80	83
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	(65)	(57)

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	-	-
Access Equipment	-	-
Transmission Infrastructure	1	1
Transmission Equipment	0	0
Switching	23	27
Buildings	32	26
Other	9	9
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	66	64
Current assets		
Stock	0	1
Debtors	25	23
Other	10	11
Total current assets	36	35
Creditors	(33)	(30)
Provisions for liabilities and charges	(3)	(2)
Mean capital employed	67	67

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	(65)	(57)
Mean capital employed	67	67
Return on mean capital employed	-96.96%	-85.36%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	956	1,075
External sales	12	13
Regulated rate of return adjustment	-	-
Total turnover	968	1,088
Operating costs specific to service		
Depreciation	618	626
Employee related	137	149
Property related	3	2
Network & Maintenance, Regulator	1	1
Others	32	39
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	792	816
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	176	272

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	-	-
Access Equipment	-	-
Transmission Infrastructure	4,944	4,912
Transmission Equipment	1,935	1,513
Switching	-	-
Buildings	8	11
Other	34	39
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	6,922	6,474
Current assets		
Stock	2	3
Debtors	19	23
Other	797	834
Total current assets	819	860
Creditors	(2,377)	(2,071)
Provisions for liabilities and charges	(212)	(147)
Mean capital employed	5,151	5,116

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	176	272
Mean capital employed	5,151	5,116
Return on mean capital employed	3.42%	5.31%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	11,369	12,330
External sales	1.6	2.0
Regulated rate of return adjustment	-	-
Total turnover	11,370	12,332
Operating costs specific to service		
Depreciation	3,261	3,268
Employee related	1,915	2,213
Property related	863	813
Network & Maintenance, Regulator	598	662
Others	2,315	3,147
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	8,952	10,102
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	2,418	2,230

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	-	-
Access Equipment	-	-
Transmission Infrastructure	11,534	12,020
Transmission Equipment	4,754	3,844
Switching	5,913	4,870
Buildings	722	693
Other	1,458	918
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	24,381	22,346
Current assets		
Stock	20	145
Debtors	704	754
Other	2,463	3,069
Total current assets	3,187	3,968
Creditors	(7,489)	(7,861)
Provisions for liabilities and charges	(654)	(541)
Mean capital employed	19,425	17,912
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	2,418	2,230
Mean capital employed	19,425	17,912
Return on mean capital employed	12.45%	12.45%

1.1.9 Wholesale Core Network
TOTAL Activities Profit and Loss

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	12,375	13,493
External sales	14	16
Regulated rate of return adjustment	-	-
Total turnover	12,389	13,508
Operating costs specific to service		
Depreciation	3,903	3,917
Employee related	2,097	2,405
Property related	933	891
Network & Maintenance, Regulator	665	711
Others	2,409	3,279
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	10,008	11,203
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	2,381	2,306

1.1.10 Wholesale Core Network
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	-	-
Access Equipment	-	-
Transmission Infrastructure	16,482	16,936
Transmission Equipment	6,691	5,358
Switching	5,990	4,962
Buildings	837	793
Other	1,521	989
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	31,521	29,038
Current assets		
Stock	24	150
Debtors	808	856
Other	3,294	3,943
Total current assets	4,125	4,950
Creditors	(9,974)	(10,035)
Provisions for liabilities and charges	(875)	(694)
Mean capital employed	24,797	23,258

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	2,381	2,306
Mean capital employed	24,797	23,258
Return on mean capital employed	9.60%	9.91%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	2,056	2,271
External sales	-	-
Regulated rate of return adjustment	-	-
Total turnover	2,056	2,271
Operating costs specific to service		
Depreciation	229	209
Employee related	1,248	1,486
Property related	29	7
Network & Maintenance, Regulator	9	4
Others	336	366
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	1,850	2,073
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	206	199

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	1,932	2,041
Access Equipment	18	22
Transmission Infrastructure	-	-
Transmission Equipment	-	-
Switching	-	-
Buildings	56	39
Other	92	116
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	2,098	2,218
Current assets		
Stock	0	0
Debtors	102	75
Other	183	274
Total current assets	286	349
Creditors	(684)	(923)
Provisions for liabilities and charges	(49)	(48)
Mean capital employed	1,651	1,596

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	206	199
Mean capital employed	1,651	1,596
Return on mean capital employed	12.45%	12.45%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	4,190	3,567
External sales	-	-
Regulated rate of return adjustment	-	-
Total turnover	4,190	3,567
Operating costs specific to service		
Depreciation	847	638
Employee related	2,206	1,781
Property related	113	41
Network & Maintenance, Regulator	144	172
Others	509	543
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	3,819	3,176
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	370	391

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	720	714
Access Equipment	2,740	2,806
Transmission Infrastructure	-	-
Transmission Equipment	-	-
Switching	-	-
Buildings	114	70
Other	124	305
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	3,698	3,894
Current assets		
Stock	3	7
Debtors	207	138
Other	324	369
Total current assets	534	514
Creditors	(1,171)	(1,201)
Provisions for liabilities and charges	(86)	(65)
Mean capital employed	2,975	3,142

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	370	391
Mean capital employed	2,975	3,142
Return on mean capital employed	12.45%	12.45%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	27	26
External sales	-	-
Regulated rate of return adjustment	-	-
Total turnover	27	26
Operating costs specific to service		
Depreciation	1	0
Employee related	10	12
Property related	1	-
Network & Maintenance, Regulator	-	-
Others	15	13
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	27	26
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	0.3	0.2

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	-	-
Access Equipment	-	-
Transmission Infrastructure	-	-
Transmission Equipment	-	-
Switching	-	-
Buildings	-	-
Other	3	3
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	3	3
Current assets		
Stock	0	0
Debtors	1	1
Other	0	0
Total current assets	1	1
Creditors	(1)	(2)
Provisions for liabilities and charges	(0)	(0)
Mean capital employed	2	1

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	0.3	0.2
Mean capital employed	2	1
Return on mean capital employed	12.45%	12.45%

1.1.17 Wholesale Access Network
TOTAL Activities Profit and Loss

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	6,273	5,864
External sales	-	-
Regulated rate of return adjustment	-	-
Total turnover	6,273	5,864
Operating costs specific to service		
Depreciation	1,077	848
Employee related	3,465	3,280
Property related	143	48
Network & Maintenance, Regulator	153	176
Others	859	922
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	5,696	5,274
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	576	590

1.1.18 Wholesale Access Network
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Access Infrastructure	2,652	2,755
Access Equipment	2,757	2,828
Transmission Infrastructure	-	-
Transmission Equipment	-	-
Switching	-	-
Buildings	170	109
Other	219	424
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	5,799	6,115
Current assets		
Stock	4	7
Debtors	311	213
Other	506	643
Total current assets	821	864
Creditors	(1,857)	(2,126)
Provisions for liabilities and charges	(135)	(113)
Mean capital employed	4,628	4,739

RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	576	590
Mean capital employed	4,628	4,739
Return on mean capital employed	12.45%	12.45%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	148	427
External sales	1.6	2
Regulated rate of return adjustment	-	-
Total turnover	150	429
Operating costs specific to service		
Depreciation	254	257
Employee related	5	6
Property related	24	19
Network & Maintenance, Regulator	7	3
Others	32	179
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	322	464
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	-	-
Return	(172)	(35)

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets	-	-
	-	-
	-	-
Mobile Access	701	711
Mobile Core	965	978
Buildings	19	21
Other	30	31
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	1,715	1,741
Current assets		
Stock	0	0
Debtors	44	48
Other	22	89
Total current assets	65	137
Creditors	(68)	(222)
Provisions for liabilities and charges	(6)	(16)
Mean capital employed	1,707	1,640
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	(172)	(35)
Mean capital employed	1,707	1,640
Return on mean capital employed	-10.07%	-2.11%

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

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal sales	1,288	1,538
External sales	-	-
Regulated rate of return adjustment	-	-
Total turnover	1,288	1,538
Operating costs specific to service		
Depreciation	595	575
Employee related	13	13
Property related	56	41
Network & Maintenance, Regulator	15	8
Others	76	400
Exceptional operating costs specific to service	-	-
Exceptional charges from other services	-	-
Total HCA operating costs	754	1,037
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	-	-
Return	534	501

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets	-	-
	-	-
	-	-
Mobile Access	1,743	1,712
Mobile Core	2,398	2,356
Buildings	48	51
Other	75	74
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	4,264	4,193
Current assets		
Stock	0	0
Debtors	105	108
Other	35	146
Total current assets	140	254
Creditors	(110)	(364)
Provisions for liabilities and charges	(9)	(26)
Mean capital employed	4,285	4,057
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	534	501
Mean capital employed	4,285	4,057
Return on mean capital employed	12.45%	12.35%

**1.1.23 Retail
Fixed Access Profit and Loss**

PROFIT AND LOSS ACCOUNT		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal	-	-
External	6,929	7,046
Total turnover	6,929	7,046
Operating costs		
Operating costs specific to Retail		
Cost of Sales	(6)	37
Employee Costs	434	403
Retail Operations	493	547
HCA Depreciation	61	39
Common Costs	87	92
Transfer charges from Core Network	-	-
Transfer charges from Local Access Network	6,273	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	7,341	6,983
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	(412)	64

1.1.24 Retail
Fixed Access Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Buildings	286	210
Vehicles	7	4
Computers	39	17
Furniture/Office equipment	13	13
Other	29	34
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	374	278
Current assets		
Stock	3	3
Debtors	1,712	1,331
Other	123	171
Total current assets	1,839	1,505
Creditors	(3,574)	(3,461)
Provisions for liabilities and charges	(33)	(30)
Mean capital employed	(1,394)	(1,708)
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	(412)	64
Mean capital employed	(1,394)	(1,708)
Return on mean capital employed	N/A	N/A

1.1.25 Retail
Fixed Domestic Calling Profit and Loss

PROFIT AND LOSS ACCOUNT		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal	-	-
External	1,914	2,025
Total turnover	1,914	2,025
Operating costs		
Operating costs specific to Retail		
Cost of Sales	111	360
Employee Costs	228	281
Retail Operations	176	188
HCA Depreciation	20	27
Common Costs	38	45
Transfer charges from Core Network	1,046	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	1,619	2,020
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	295	5

1.1.26 Retail
Fixed Domestic Calling Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Buildings	85	141
Vehicles	2	2
Computers	14	12
Furniture/Office equipment	6	10
Other	9	23
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	116	188
Current assets		
Stock	2	2
Debtors	2,598	2,063
Other	54	84
Total current assets	2,654	2,148
Creditors	(1,655)	(1,820)
Provisions for liabilities and charges	(14)	(15)
Mean capital employed	1,100	502
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	295	5
Mean capital employed	1,100	502
Return on mean capital employed	27%	1%

1.1.27 Retail
Fixed International Calling Profit and Loss

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal	-	-
External	1,425	1,672
Total turnover	1,425	1,672
Operating costs		
Operating costs specific to Retail		
Cost of Sales	906	1,029
Employee Costs	132	162
Retail Operations	104	121
HCA Depreciation	12	15
Common Costs	108	122
Transfer charges from Core Network	173	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	1,434	1,657
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	(10)	15

1.1.28 Retail
Fixed International Calling Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Buildings	49	79
Vehicles	1	1
Computers	8	7
Furniture/Office equipment	3	5
Other	5	13
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	67	105
Current assets		
Stock	1	1
Debtors	1,774	1,454
Other	151	225
Total current assets	1,926	1,681
Creditors	(1,253)	(1,416)
Provisions for liabilities and charges	(40)	(40)
Mean capital employed	700	330
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	(10)	15
Mean capital employed	700	330
Return on mean capital employed	-1%	5%

1.1.29 Retail
Remaining Activities Profit and Loss

PROFIT AND LOSS ACCOUNT	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal	-	-
External	31,697	31,196
Total turnover	31,697	31,196
Operating costs		
Operating costs specific to Retail		
Cost of Sales	2,924	2,827
Employee Costs	1,644	2,071
Retail Operations	5,492	3,795
HCA Depreciation	209	200
Common Costs	962	843
Transfer charges from Core Network	12,594	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	23,823	23,872
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	7,873	7,324

1.1.30 Retail
Remaining Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Buildings	1,138	1,083
Vehicles	30	33
Computers	94	75
Furniture/Office equipment	38	62
Other	95	174
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	1,395	1,427
Current assets		
Stock	992	944
Debtors	3,439	3,982
Other	1,347	1,560
Total current assets	5,779	6,485
Creditors	(6,276)	(6,300)
Provisions for liabilities and charges	(358)	(275)
Mean capital employed	540	1,338
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	7,873	7,324
Mean capital employed	540	1,338
Return on mean capital employed	1457%	547%

1.1.31 Retail
TOTAL Activities Profit and Loss

PROFIT AND LOSS ACCOUNT		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Turnover		
Internal	-	-
External	41,964	41,939
Total turnover	41,964	41,939
Operating costs		
Operating costs specific to Retail		
Cost of Sales	3,935	4,253
Employee Costs	2,437	2,918
Retail Operations	6,265	4,652
HCA Depreciation	301	281
Common Costs	1,195	1,102
Transfer charges from Core Network	13,813	15,461
Transfer charges from Local Access Network	6,273	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	34,218	34,532
Other Adjustments		
Other 1	-	-
Other 2	-	-
Total Other Adjustments	0	0
Return	7,746	7,407

1.1.32 Retail
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
	as at 31-Dec-14 £000s	as at 31-Dec-13 £000s
Fixed assets		
Tangible fixed assets		
Buildings	1,558	1,513
Vehicles	39	40
Computers	155	111
Furniture/Office equipment	60	91
Other	138	243
Intangible fixed assets	-	-
Investments	-	-
Total fixed assets	1,951	1,998
Current assets		
Stock	998	950
Debtors	9,524	8,830
Other	1,675	2,040
Total current assets	12,198	11,820
Creditors	(12,757)	(12,997)
Provisions for liabilities and charges	(445)	(359)
Mean capital employed	947	462
RETURN ON MEAN CAPITAL EMPLOYED		
	12 months to 31-Dec-14 £000s	12 months to 31-Dec-13 £000s
Return	7,746	7,407
Mean capital employed	947	462
Return on mean capital employed	818%	1604%

2. Reconciliation with statutory accounts statement

2.1. Reconciliation Statement

	Turnover (£)	Cost (£)	Return (£)
Wholesale Core Network			
Fixed Origination	35,209	184,573	-149,364
Fixed Termination	15,374	79,963	-64,589
Leased Lines	968,484	792,076	176,408
Remaining activities	11,370,164	8,951,748	2,418,417
Wholesale Access Network			
Unbundled Access	2,055,910	1,850,336	205,574
Broadband Access	4,189,617	3,819,236	370,381
Remaining activities	27,083	26,792	291
Wholesale Mobile Network			
	1,437,681	1,075,911	361,770
Retail			
Fixed Access	6,928,726	7,340,879	-412,153
Fixed Domestic calling	1,914,146	1,619,453	294,693
Fixed International calling	1,424,820	1,434,387	-9,567
Remaining activities	31,696,558	23,823,269	7,873,289
<i>Retail Mobile Network</i>	<i>9,861,999</i>	<i>5,440,157</i>	<i>4,421,842</i>
<i>Remaining Activities</i>	<i>21,834,559</i>	<i>18,383,112</i>	<i>3,451,447</i>
Total	62,063,773	50,998,624	11,065,150
Adjustments:			
Elimination of transfer charges	20,085,208	20,085,208	0
Dividends payable			5,900,000
Corporation Tax			1,531,330
Interest receivable			-7,056
Interest payable			517,073
Other finance adjustments			-7,000
Impairments			981,355
Other statutory adjustments			-5,192
Other Adjustments 1		0	0
Other Adjustments 2 (roundings)	28	31	-3
Total adjustments	20,085,236	20,085,240	8,910,507
As per statutory accounts	41,978,537	30,913,384	2,154,643

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	-	2,056	2,056	1,850	206	1,651	12.45%
Prior year	-	2,271	2,271	2,073	199	1,596	12.45%

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N°	Internal N°	Total N°			per unit External £	per unit Internal £		
Access loop	-	2,056	2,056	-	23,712	23,712	1,850	Lines	-	87	87	1.00
<i>Totals</i>	<u>-</u>	<u>2,056</u>										

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

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	-	4,190	4,190	3,819	370	2,975	12.45%
Prior year	-	3,567	3,567	3,176	391	3,142	12.45%

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°	Internal N°	Total N°			External £	Internal £		
DSL Lines	-	4,190	4,190	-	12,873	12,873	3,819	Lines	-	325	325	1.00
Totals	-	<u>4,190</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°	Internal N°	Total N°			External £	Internal £		
DSL Lines	-	3,567	3,567	-	12,175	12,175	3,176	Lines	-	293	293	1.00
Totals	-	<u>3,567</u>										

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	-	35	35	185	-149	154	-97.14%
Prior year	0.6	62	63	202	-139	163	-85.17%

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°	Internal N°	Total N°			External £	Internal £		
National fixed call origination	-	35	35	-	7	7	185	Mbps	-	5,357	31,184	0.17
				-	11,357,608	11,357,608		mins	-	0.0031	0.018	
<i>Totals</i>	<u>-</u>	<u>35</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°	Internal N°	Total N°			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	0.0053	0.0053	0.019	
<i>Totals</i>	<u>0.6</u>	<u>62</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	0.22	15	15	80	-65	67	-96.96%
Prior year	0.3	25	26	83	-57	67	-85.36%

Service Current Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N°	Internal N°	Total N°			External £	Internal £		
National fixed call termination	0.21	15	15	0.04	3	3	80	Mbps	5,357	5,357	31,184	0.17
				68,762	4,890,623	4,959,385		mins	0.0031	0.0031	0.018	
Totals	0.21	15										

Service Prior Year	Revenue			Volume			Total Operating Costs £'000	Unit	Average revenue		Ceiling FAC per unit £	Average revenue per unit /FAC £
	External £'000	Internal £'000	Total £'000	External N°	Internal N°	Total N°			External £	Internal £		
National fixed call termination	0.3	25	26	0.030	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	
Totals	0.3	25										

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	12.5	956	968	792	176	5,151	3.42%
Prior year	12.8	1,075	1,088	816	272	5,116	5.31%

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°	Internal N°	Total N°			External £	Internal £		
National leased circuit	12.5	956	968	6.00	1,972	1,978	792	Mbps	2,077	485	721	0.68
<i>Totals</i>	<u>12.5</u>	<u>956</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°	Internal N°	Total N°			External £	Internal £		
National leased circuit	12.8	1,075	1,088	6.08	1,999	2,005	816	Mbps	2,102	538	720	0.75
<i>Totals</i>	<u>12.8</u>	<u>1,075</u>										

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	1.6	148	150	322	-172	1,707	-10.07%
Prior year	2.0	427	429	464	-35	1,640	-2.11%

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°	Internal N°	Total N°			External £	Internal £		
Mobile voice termination	1.6	148	150	161,305	14,827,768	14,989,073	322	Mins	0.01	0.01	0.04	0.27
<i>Totals</i>	<u>1.6</u>	<u>148</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°	Internal N°	Total N°			External £	Internal £		
Mobile voice termination	2.0	427	429	66,855,000	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>										

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	2,220,119	314,326	-	2,534,445	2,298,808	12.45%	286,202	2,820,646	24,120	Lines	117
DSLAM	2,377,127	762,960	-	3,140,087	2,361,138	12.45%	293,962	3,434,048	12,873	Lines	267
Line Cards	33,827	4,033	-	37,860	5,038	12.45%	627	38,487	25,633	Lines	2
National transmission equipment	161,564	357,178	-	518,741	2,145,308	12.45%	267,091	785,832	11,720	Mbps	67
National transmission infrastructure	118,791	1,271,773	-	1,390,564	10,606,954	12.45%	1,320,566	2,711,130	5,051	Mbps	537
National transmission ducts & cables	189,701	156,110	-	345,811	1,642,962	12.45%	204,549	550,359	5,051	Mbps	109
Remote Concentrators	617,196	64,039	-	681,235	899,136	12.45%	111,942	793,177	70	Mbps	11,408
Switching	789,489	65,917	-	855,407	378,904	12.45%	47,174	902,580	47	Mbps	19,065
Mobile	227,504	845,708	-	1,073,212	5,987,819	12.45%	745,483	1,818,695	14,989,073	min	0.12
TOTAL	6,735,317	3,842,044	-	10,577,361	26,326,069		3,277,596	13,854,956			

For the prior 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 transmssion 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			

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	116.94	0.7286	0.5000	-	-	0.1008	-
DSLAM	Lines	266.77	-	1.0000	-	-	-	-
Line Cards	Lines	1.50	1.0000	0.1492	-	-	-	-
National transmission equipment	Mbps	67.05	-	-	0.9700	0.9700	0.9437	-
National transmission infrastructure	Mbps	536.72	-	-	1.0000	1.0000	1.0000	-
National transmssion ducts & cables	Mbps	108.96	-	-	1.0000	1.0000	1.0000	-
Remote Concentrators	Mbps	11,407.67	-	-	1.0000	1.0000	-	-
Switching	Mbps	19,065.48	-	-	1.0000	1.0000	-	-
Mobile	min	0.12	-	-	-	-	-	0.3028

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	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 transmssion 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

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	116.94	85.20	58.47	-	-	11.79	-
DSLAM	Lines	266.77	-	266.77	-	-	-	-
Line Cards	Lines	1.50	1.50	0.22	-	-	-	-
National transmission equipment	Mbps	67.05	-	-	65.04	65.04	63.27	-
National transmission infrastructure	Mbps	536.72	-	-	536.72	536.72	536.72	-
National transmssion ducts & cables	Mbps	108.96	-	-	108.96	108.96	108.96	-
Remote Concentrators	Mbps	11,407.67	-	-	11,407.67	11,407.67	-	-
Switching	Mbps	19,065.48	-	-	19,065.48	19,065.48	-	-
Mobile	min	0.12	-	-	-	-	-	0.04
TOTAL FAC			86.70	325.47	31,183.87	31,183.87	720.74	0.04

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	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 transmssion 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

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	-	-	-	0.7286	0.5000	-	-	2.0000	-	-	-
DSLAM	-	-	-	-	1.0000	-	-	-	-	-	-
Line Card	-	-	-	1.0000	0.1492	-	-	-	-	-	-
CPE	-	-	-	-	-	-	-	-	-	-	-
National Transmission Equipment	0.9700	0.9700	1.9401	-	-	0.8911	-	0.9437	-	-	-
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	0.3028

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	-	-	-	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

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	6,928,726	6,272,610	981,255	4,327	346,436	7,604,629	82,686	7,687,315	23,712	320.71	324.20	292.20

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	7,046,206	5,863,954	1,026,602	4,733	352,310	7,247,599	87,340	7,334,939	23,497	308.45	312.16	299.88

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	1,117,772	175,449	330,417	974	55,889	562,729	18,613	581,342	11,288,618	0.05	0.05	0.10
National calling	796,374	870,424	205,118	918	39,819	1,116,279	17,540	1,133,818	40,331,117	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	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

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	1,424,820	173,161	1,153,286	5,368	71,241	1,403,056	102,573	1,505,628	8,826,828	0.16	0.17	0.16

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	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

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	86.70		86.70	Lines	23,712	2,056
	Broadband Access	325.47		325.47	Lines	12,873	4,190
	Remainder (mainly CPE)	4.02		4.02	Lines	6,734	27
Total							6,273
Fixed domestic calling		Core network					
	Fixed origination INTERNAL	0.0179	0.0031	0.0031	mins	11,357,608	35
	Fixed origination EXTERNAL	0.0179	0.0031	0.0031	mins	0	-
	National calling	0.0251		0.0251	mins	40,331,117	1,011
Total							1,046
Fixed international calling		Core network					
	International calling	0.01962		0.01962	mins	8,826,828	173
Total							173
Remaining Activities		Core network					
	Fixed termination INTERNAL	0.0180	0.0031	0.0031	mins	4,890,623	15
	Fixed termination EXTERNAL	0.0180	0.0031	0.0031	mins	68,762	0.2
	Leased Lines INTERNAL	721	485	485	Mbps	1,972	956
	Leased Lines EXTERNAL	721	2077	2077	Mbps	6	12.5
	Remaining Core			<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>	10,186
Total							11,170
Mobile		Core Network					
	Mobile termination INTERNAL	0.04	0.010	0.010	mins	14,827,768	148
	Mobile termination EXTERNAL	0.04	0.010	0.010	mins	161,305	1.6
	Remaining Activities			<i>Note 1</i>	<i>Note 1</i>	<i>Note 1</i>	1,288
Total							1,438

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				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	-	-	-	-	2,056	4,190	27	-	-	-	-	-	-
	Fixed domestic calling	-	-	-	-	-	-	-	35	-	-	1,011	-	-
	Fixed international calling	-	-	-	-	-	-	-	-	-	-	173	-	-
	Remaining activities	-	-	-	-	-	-	-	-	15	956	10,186	148	1,288
Wholesale	Unbundled Local Loops	2,056	-	-	-	-	-	-	-	-	-	-	-	-
Fixed access	Broadband Access	4,190	-	-	-	-	-	-	-	-	-	-	-	-
	Remaining activities	27	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	Fixed Call origination	-	35	-	-	-	-	-	-	-	-	-	-	-
Fixed core	Fixed Call termination	-	-	-	15	-	-	-	-	-	-	-	-	-
	Leased lines	-	-	-	956	-	-	-	-	-	-	-	-	-
	Remaining activities	-	1,011	173	10,186	-	-	-	-	-	-	-	-	-
Mobile	Voice termination	-	-	-	148	-	-	-	-	-	-	-	-	-
	Remaining activities	-	-	-	1,288	-	-	-	-	-	-	-	-	-
Total from Matrix:		6,273	1,046	173	12,594	2,056	4,190	27	35	15	956	11,370	148	1,288

All amounts in £'000

End of Regulatory Financial Statements