



SMP REGULATED ACCOUNTS

FOR YEAR ENDED 31 DECEMBER 2015

REGULATORY FINANCIAL STATEMENTS

(Submitted 29 March 2019)

Gibtelecom Limited
15/21 John Mackintosh Square
Gibraltar

Gibtelecom SMP Regulated Accounts

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Accounting Separation Report

Introduction

This is Gibtelecom's eleventh Accounting Separation Report (ASR) prepared since 2001 and covers the financial period 1 January 2015 to 31 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 November 2016, the GRA released Decision Notice C05/16 on 'Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification'. This Decision Notice consolidated documents 13/14, 01/11 and 07/08 as well as a response to consultation C04/16 and provides 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 ninth ASR, for the financial period ending 31 December 2013 was submitted to the GRA at the beginning of 2015 following additional regulatory reporting requirements. The GRA issued their comments on these separated accounts by way of a Direction in September 2015. This Direction required audited separated accounts to be delivered for the financial year ending 31 December 2014 by mid-December 2015, and revised ones for 2013 resubmitted by mid-February 2016. The required revisions necessitated extensive amendments to the core ASR model which could only be carried out with the assistance of external expertise. The 2014 ASR submission was subsequently made ahead of schedule on 11 December 2015; with the revised one for 2013 re-submitted on 1 February 2016. Following a further review process by the Authority of these two resubmitted ASRs, Gibtelecom made further submissions of revised audited ASRs 2013 and 2014 on 28 October 2016.

The extensive review process ultimately culminated with the GRA issuing Direction C05/16 providing updated guidelines for Gibtelecom's ASR submissions¹. The reviews of the 2013 and 2014 ASRs were finally closed by the GRA with a Note dated 11 November 2016 highlighting three remaining compliance issues, which had been agreed would be taken forward with the new ASR model that needed to be developed for the ASR 2015 and later submissions.

In summary, these issues were:

1. Exclusion of external sales from transfer charges (Item Nº 3.2 and 3.32)
2. Adjustment of table titles in Service Cost Statements (Item Nº 3.24)
3. Amendments to be made to Wholesale Service Statement for Leased Lines Market to show Leased Lines, which are sold externally, separate from Leased Lines, which are only provided internally (Item Nº 3.18, 3.19, 3.20)

Following the development of a new ASR model² over many months to address the GRA's list of review points, Gibtelecom is making this submission of its eleventh to date regulatory accounting documents. This submission is titled "GIBTELECOM ASR 2015 FINANCIAL STATEMENTS". Two other documents; "GIBTELECOM ASR 2015 ACCOUNTING DOCUMENTS"; and "GIBTELECOM ASR 2015 ATTRIBUTION METHODOLOGY DOCUMENT" provide further supportive information on the work underpinning these financial statements. These statements have been prepared in line with the GRA's guidelines contained in their Direction C05/16.

¹ These included reverting to the use of HCA methodology as from the 2013 ASRs

² Fully integrating mobile services

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

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 C05/16. 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 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 with 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 2015 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 2015;
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 2015 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.



Adrian Moreno
Board Director and Chief Operations Officer
Date: 29 March 2019



Dwayne Lara
Corporate & Regulatory Manager
Date: 29 March 2019

INDEPENDENT AUDITOR'S REPORT To the Members of Gibtelecom Limited

We have examined the Regulatory Financial Statements of Gibtelecom Limited ("the Company") for the year ended 31 December 2015 which have been prepared by the Company under 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 C05/16 – Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification (Response to Consultation and Decision) issued on 2 November 2016 by the GRA;
- the Accounting Documents; and
- the Attribution Methodologies.

The Regulatory Financial Statements for the year ended 31 December 2015 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; and
- 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.

Under Decision Notice C05/16 – Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification (Response to Consultation and Decision) issued on 2 November 2016 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 2014 and used, in accordance with that Act, for the preparation of the Company's statutory consolidated financial statements for the year ended 31 December 2015 ("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 at 31 December 2015 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 2015; and
- comply with the Decision Notice C05/16 – Accounting Separation, Cost Accounting Systems, Cost Orientation and Retail Price Notification (Response to Consultation and Decision) issued on 2 November 2016 by the GRA.

Other matter – comparative figures

As agreed between the Company and the GRA, our report does not extend to the 2014 comparatives included within the Regulatory Financial statements for the year ended 31 December 2015.



Deloitte Limited

29 March 2019

SMP Regulated Financial Statements for the Year Ended 31 December 2015

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		
Fixed Origination	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	32	35
External charges	-	-
Total turnover	32	35
Operating costs		
Cost of sales	-	-
Staff	34	-
Operation & Maintenance	47	-
Property	69	-
G&A Expenses	14	-
Other Opex	-	-
Depreciation	14	-
Transfer charges from wholesale	-	-
Total HCA operating costs	178	185
Return	(146)	(149)

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
Fixed Origination	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	0	
Buildings	534	
Computers	1	
Switching	12	
Access Equipment	0	
Furniture/Office equipment	0	
Transmission	1	
Other assets	-	
Investments	-	
Total fixed assets	548	152
Current assets		
Stock	-	
Debtors	39	
Other current assets	-	
Total current assets	39	83
Creditors	(11)	(75)
Provisions for liabilities and charges	(1)	(6)
Mean capital employed	575	154
RETURN ON MEAN CAPITAL EMPLOYED		
Fixed Origination	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	(146)	(149)
Mean capital employed	575	154
Return on mean capital employed	-25.37%	-97.14%

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

PROFIT AND LOSS ACCOUNT		
Fixed Termination	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	11	15
External charges	0	0
Total turnover	11	15
Operating costs		
Cost of sales	-	
Staff	14	
Operation & Maintenance	19	
Property	28	
G&A Expenses	6	
Other Opex	-	
Depreciation	5	
Transfer charges from wholesale	-	
Total HCA operating costs	72	80
Return	(61)	(65)

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
Fixed Termination	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	0	
Buildings	216	
Computers	1	
Switching	5	
Access Equipment	0	
Furniture/Office equipment	0	
Transmission	0	
Other assets	-	
Investments	-	
Total fixed assets	222	66
Current assets		
Stock	-	
Debtors	16	
Other current assets	-	
Total current assets	16	36
Creditors	(4)	(33)
Provisions for liabilities and charges	(1)	(3)
Mean capital employed	233	67
RETURN ON MEAN CAPITAL EMPLOYED		
Fixed Termination	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	(61)	(65)
Mean capital employed	233	67
Return on mean capital employed	-26.09%	-96.96%

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

PROFIT AND LOSS ACCOUNT		
Leased Lines	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	407	956
External charges	13	12
Total turnover	420	968
Operating costs		
Cost of sales	-	
Staff	219	
Operation & Maintenance	8	
Property	17	
G&A Expenses	38	
Other Opex	-	
Depreciation	67	
Transfer charges from wholesale	-	
Total HCA operating costs	349	792
Return	71	176

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
Leased Lines	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	2	
Buildings	237	
Computers	8	
Switching	28	
Access Equipment	66	
Furniture/Office equipment	3	
Transmission	153	
Other assets	-	
Investments	-	
Total fixed assets	497	6,922
Current assets		
Stock	-	
Debtors	107	
Other current assets	-	
Total current assets	107	819
Creditors	(61)	(2,377)
Provisions for liabilities and charges	(8)	(212)
Mean capital employed	535	5,151
RETURN ON MEAN CAPITAL EMPLOYED		
Leased Lines	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	71	176
Mean capital employed	535	5,151
Return on mean capital employed	13.27%	3.42%

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

PROFIT AND LOSS ACCOUNT		
Remaining Core	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	14,829	11,369
External charges	488	2
Total turnover	15,317	11,370
Operating costs		
Cost of sales	431	
Staff	1,877	
Operation & Maintenance	4,538	
Property	702	
G&A Expenses	486	
Other Opex	-	
Depreciation	3,700	
Transfer charges from wholesale	-	
Total HCA operating costs	11,734	8,952
Return	3,584	2,418

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
Remaining Core	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	41	
Buildings	6,272	
Computers	106	
Switching	244	
Access Equipment	3,160	
Furniture/Office equipment	25	
Transmission	15,816	
Other assets	-	
Investments	-	
Total fixed assets	25,664	24,381
Current assets		
Stock	-	
Debtors	4,912	
Other current assets	-	
Total current assets	4,912	3,187
Creditors	(1,512)	(7,489)
Provisions for liabilities and charges	(180)	(654)
Mean capital employed	28,884	19,425
RETURN ON MEAN CAPITAL EMPLOYED		
Remaining Core	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	3,584	2,418
Mean capital employed	28,884	19,425
Return on mean capital employed	12.41%	12.45%

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

PROFIT AND LOSS ACCOUNT		
Core	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	15,279	12,375
External charges	501	14
Total turnover	15,780	12,389
Operating costs		
Cost of sales	431	
Staff	2,144	
Operation & Maintenance	4,613	
Property	815	
G&A Expenses	544	
Other Opex	-	
Depreciation	3,785	
Transfer charges from wholesale	-	
Total HCA operating costs	12,332	10,008
Return	3,448	2,381

1.1.10 Wholesale Core Network
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Core	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	43	
Buildings	7,259	
Computers	115	
Switching	288	
Access Equipment	3,226	
Furniture/Office equipment	28	
Transmission	15,970	
Other assets	-	
Investments	-	
Total fixed assets	26,929	31,521
Current assets		
Stock	-	
Debtors	5,075	
Other current assets	-	
Total current assets	5,075	4,125
Creditors	(1,588)	(9,974)
Provisions for liabilities and charges	(190)	(875)
Mean capital employed	30,226	24,797
RETURN ON MEAN CAPITAL EMPLOYED		
Core	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	3,448	2,381
Mean capital employed	30,226	24,797
Return on mean capital employed	11.41%	9.60%

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

PROFIT AND LOSS ACCOUNT		
Unbundled Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	1,939	2,056
External charges	-	-
Total turnover	1,939	2,056
Operating costs		
Cost of sales	-	-
Staff	1,027	-
Operation & Maintenance	40	-
Property	21	-
G&A Expenses	270	-
Other Opex	-	-
Depreciation	283	-
Transfer charges from wholesale	-	-
Total HCA operating costs	1,641	1,850
Return	298	206

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
Unbundled Access	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	34	
Buildings	467	
Computers	59	
Switching	2	
Access Equipment	1,838	
Furniture/Office equipment	16	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	2,416	2,098
Current assets		
Stock	-	
Debtors	157	
Other current assets	-	
Total current assets	157	286
Creditors	(169)	(684)
Provisions for liabilities and charges	(11)	(49)
Mean capital employed	2,393	1,651
RETURN ON MEAN CAPITAL EMPLOYED		
Unbundled Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	298	206
Mean capital employed	2,393	1,651
Return on mean capital employed	12.45%	12.45%

1.1.13 Wholesale Access Network
Broadband Access Profit and Loss

PROFIT AND LOSS ACCOUNT		
Broadband Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	4,475	4,190
External charges	-	-
Total turnover	4,475	4,190
Operating costs		
Cost of sales	-	-
Staff	2,156	-
Operation & Maintenance	264	-
Property	54	-
G&A Expenses	539	-
Other Opex	-	-
Depreciation	1,025	-
Transfer charges from wholesale	-	-
Total HCA operating costs	4,038	3,819
Return	437	370

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
Broadband Access	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	69	
Buildings	1,095	
Computers	119	
Switching	-	
Access Equipment	2,222	
Furniture/Office equipment	34	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	3,539	3,698
Current assets		
Stock	-	
Debtors	353	
Other current assets	-	
Total current assets	353	534
Creditors	(357)	(1,171)
Provisions for liabilities and charges	(24)	(86)
Mean capital employed	3,511	2,975
RETURN ON MEAN CAPITAL EMPLOYED		
Broadband Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	437	370
Mean capital employed	3,511	2,975
Return on mean capital employed	12.45%	12.45%

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

PROFIT AND LOSS ACCOUNT		
Remainder Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	479	27
External charges	-	-
Total turnover	479	27
Operating costs		
Cost of sales	-	
Staff	142	
Operation & Maintenance	30	
Property	6	
G&A Expenses	157	
Other Opex	-	
Depreciation	8	
Transfer charges from wholesale	-	
Total HCA operating costs	343	27
Return	136	0

1.1.16 Wholesale Access Network
Remaining Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Remainder Access	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	4	
Buildings	144	
Computers	6	
Switching	-	
Access Equipment	-	
Furniture/Office equipment	2	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	156	3
Current assets		
Stock	927	
Debtors	37	
Other current assets	-	
Total current assets	964	1
Creditors	(26)	(1)
Provisions for liabilities and charges	(2)	(0)
Mean capital employed	1,092	2
RETURN ON MEAN CAPITAL EMPLOYED		
Remainder Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	136	0
Mean capital employed	1,092	2
Return on mean capital employed	12.45%	12.45%

1.1.17 Wholesale Access Network
TOTAL Activities Profit and Loss

PROFIT AND LOSS ACCOUNT		
Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	6,892	6,273
External charges	-	-
Total turnover	6,892	6,273
Operating costs		
Cost of sales	-	
Staff	3,325	
Operation & Maintenance	334	
Property	81	
G&A Expenses	966	
Other Opex	-	
Depreciation	1,315	
Transfer charges from wholesale	-	
Total HCA operating costs	6,021	5,696
Return	871	576

1.1.18 Wholesale Access Network
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Access	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	108	
Buildings	1,706	
Computers	183	
Switching	2	
Access Equipment	4,060	
Furniture/Office equipment	52	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	6,111	5,799
Current assets		
Stock	927	
Debtors	547	
Other current assets	-	
Total current assets	1,474	821
Creditors	(552)	(1,857)
Provisions for liabilities and charges	(37)	(135)
Mean capital employed	6,996	4,628
RETURN ON MEAN CAPITAL EMPLOYED		
Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	871	576
Mean capital employed	6,996	4,628
Return on mean capital employed	12.45%	12.45%

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

PROFIT AND LOSS ACCOUNT		
Mobile Termination	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	102	148
External charges	1	2
Total turnover	103	150
Operating costs		
Cost of sales	-	
Staff	5	
Operation & Maintenance	1	
Property	14	
G&A Expenses	88	
Other Opex	-	
Depreciation	85	
Transfer charges from wholesale	-	
Total HCA operating costs	193	322
Return	(90)	(172)

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

STATEMENT OF MEAN CAPITAL EMPLOYED		
Mobile Termination	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	0	
Buildings	135	
Computers	0	
Mobile Network Equipment	546	
Access Equipment	-	
Furniture/Office equipment	0	
Transmission	4	
Other assets	-	
Investments	-	
Total fixed assets	685	1,715
Current assets		
Stock	-	
Debtors	49	
Other current assets	-	
Total current assets	49	65
Creditors	(22)	(68)
Provisions for liabilities and charges	(3)	(6)
Mean capital employed	709	1,707
RETURN ON MEAN CAPITAL EMPLOYED		
Mobile Termination	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	(90)	(172)
Mean capital employed	709	1,707
Return on mean capital employed	-12.74%	-10.07%

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

PROFIT AND LOSS ACCOUNT		
Remainder Mobile	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	1,751	1,288
External charges	1,169	-
Total turnover	2,920	1,288
Operating costs		
Cost of sales	64	
Staff	131	
Operation & Maintenance	39	
Property	121	
G&A Expenses	671	
Other Opex	-	
Depreciation	653	
Transfer charges from wholesale	-	
Total HCA operating costs	1,679	754
Return	1,241	534

1.1.22 Wholesale Mobile Network
Remaining Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Remainder Mobile	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	2	
Buildings	1,062	
Computers	21	
Mobile Network Equipment	4,099	
Access Equipment	-	
Furniture/Office equipment	2	
Transmission	29	
Other assets	-	
Investments	-	
Total fixed assets	5,215	4,264
Current assets		
Stock	-	
Debtors	637	
Other current assets	-	
Total current assets	637	140
Creditors	(244)	(110)
Provisions for liabilities and charges	(30)	(9)
Mean capital employed	5,578	4,285
RETURN ON MEAN CAPITAL EMPLOYED		
Remainder Mobile	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	1,241	534
Mean capital employed	5,578	4,285
Return on mean capital employed	22.24%	12.45%

1.1.23 Retail
Fixed Access Profit and Loss

PROFIT AND LOSS ACCOUNT		
Retail Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	-	-
External charges	6,760	6,929
Total turnover	6,760	6,929
Operating costs		
Cost of sales	21	
Staff	1,051	
Operation & Maintenance	150	
Property	159	
G&A Expenses	425	
Other Opex	-	
Depreciation	160	
Transfer charges from wholesale	6,892	
Total HCA operating costs	8,858	7,341
Return	(2,098)	(412)

1.1.24 Retail
Fixed Access Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Retail Access	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	19	
Buildings	425	
Computers	298	
Switching	-	
Access Equipment	-	
Furniture/Office equipment	16	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	758	374
Current assets		
Stock	-	
Debtors	1,522	
Other current assets	-	
Total current assets	1,522	1,839
Creditors	(2,923)	(3,574)
Provisions for liabilities and charges	(26)	(33)
Mean capital employed	(669)	(1,394)
RETURN ON MEAN CAPITAL EMPLOYED		
Retail Access	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	(2,098)	(412)
Mean capital employed	(669)	(1,394)
Return on mean capital employed	N/A	N/A

1.1.25 Retail
Fixed Domestic Calling Profit and Loss

PROFIT AND LOSS ACCOUNT		
National Calling	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	-	-
External charges	1,750	1,914
Total turnover	1,750	1,914
Operating costs		
Cost of sales	5	
Staff	179	
Operation & Maintenance	67	
Property	19	
G&A Expenses	29	
Other Opex	-	
Depreciation	34	
Transfer charges from wholesale	1,304	
Total HCA operating costs	1,637	1,619
Return	113	295

1.1.26 Retail
Fixed Domestic Calling Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
National Calling		
	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	1	
Buildings	69	
Computers	73	
Switching	-	
Access Equipment	-	
Furniture/Office equipment	2	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	145	116
Current assets		
Stock	-	
Debtors	1,287	
Other current assets	-	
Total current assets	1,287	2,654
Creditors	(449)	(1,655)
Provisions for liabilities and charges	(4)	(14)
Mean capital employed	979	1,100
RETURN ON MEAN CAPITAL EMPLOYED		
National Calling		
	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	113	295
Mean capital employed	979	1,100
Return on mean capital employed	11.58%	26.78%

1.1.27 Retail
Fixed International Calling Profit and Loss

PROFIT AND LOSS ACCOUNT		
Intl Calling	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	-	-
External charges	1,418	1,425
Total turnover	1,418	1,425
Operating costs		
Cost of sales	496	
Staff	109	
Operation & Maintenance	39	
Property	13	
G&A Expenses	13	
Other Opex	-	
Depreciation	26	
Transfer charges from wholesale	203	
Total HCA operating costs	899	1,434
Return	519	(10)

1.1.28 Retail
Fixed International Calling Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Intl Calling	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	1	
Buildings	47	
Computers	57	
Switching	-	
Access Equipment	-	
Furniture/Office equipment	2	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	106	67
Current assets		
Stock	-	
Debtors	1,178	
Other current assets	-	
Total current assets	1,178	1,926
Creditors	(311)	(1,253)
Provisions for liabilities and charges	(10)	(40)
Mean capital employed	963	700
RETURN ON MEAN CAPITAL EMPLOYED		
Intl Calling	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	519	(10)
Mean capital employed	963	700
Return on mean capital employed	53.94%	-1.37%

1.1.29 Retail
Remaining Activities Profit and Loss

PROFIT AND LOSS ACCOUNT		
Remainder retail	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	-	-
External charges	30,053	31,697
Total turnover	30,053	31,697
Operating costs		
Cost of sales	2,207	
Staff	2,679	
Operation & Maintenance	1,076	
Property	686	
G&A Expenses	411	
Other Opex	-	
Depreciation	599	
Transfer charges from wholesale	15,625	
Total HCA operating costs	23,283	23,823
Return	6,770	7,873

1.1.30 Retail
Remaining Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Remainder retail	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	41	
Buildings	4,183	
Computers	1,183	
Switching	-	
Access Equipment	-	
Furniture/Office equipment	36	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	5,443	1,395
Current assets		
Stock	-	
Debtors	4,591	
Other current assets	-	
Total current assets	4,591	5,779
Creditors	(2,317)	(6,276)
Provisions for liabilities and charges	(94)	(358)
Mean capital employed	7,623	540
RETURN ON MEAN CAPITAL EMPLOYED		
Remainder retail	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	6,770	7,873
Mean capital employed	7,623	540
Return on mean capital employed	88.80%	1456.98%

1.1.31 Retail
TOTAL Activities Profit and Loss

PROFIT AND LOSS ACCOUNT		
Retail	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Turnover		
Internal charges	-	-
External charges	39,982	41,964
Total turnover	39,982	41,964
Operating costs		
Cost of sales	2,730	
Staff	4,018	
Operation & Maintenance	1,333	
Property	877	
G&A Expenses	878	
Other Opex	-	
Depreciation	818	
Transfer charges from wholesale	24,024	
Total HCA operating costs	34,678	34,218
Return	5,304	7,746

1.1.32 Retail
TOTAL Activities Mean Capital Employed

STATEMENT OF MEAN CAPITAL EMPLOYED		
Retail	as at 31-Dec-15 £000s	as at 31-Dec-14 £000s
Fixed assets		
Tangible fixed assets		
Vehicles	61	
Buildings	4,725	
Computers	1,611	
Switching	-	
Access Equipment	-	
Furniture/Office equipment	56	
Transmission	-	
Other assets	-	
Investments	-	
Total fixed assets	6,453	1,951
Current assets		
Stock	-	
Debtors	8,578	
Other current assets	-	
Total current assets	8,578	12,198
Creditors	(6,001)	(12,757)
Provisions for liabilities and charges	(134)	(445)
Mean capital employed	8,896	947
RETURN ON MEAN CAPITAL EMPLOYED		
Retail	12 months to 31-Dec-15 £000s	12 months to 31-Dec-14 £000s
Return	5,304	7,746
Mean capital employed	8,896	947
Return on mean capital employed	59.62%	818.36%

2. Reconciliation with statutory accounts statement

2.1. Reconciliation Statement

	Turnover (£)	Cost (£)	Return (£)
Wholesale Core Network			
Fixed Origination	32,427	178,188	-145,761
Fixed Termination	11,443	72,128	-60,684
Leased Lines	419,332	348,325	71,007
Remaining activities W/S Core	15,317,351	11,733,525	3,583,827
Wholesale Access Network			
Unbundled Access	1,938,577	1,640,686	297,891
Broadband Access	4,474,852	4,037,689	437,163
Remaining activities W/S Access	478,544	342,543	136,000
Wholesale Mobile Network	3,023,006	1,872,833	1,150,173
Retail			
Fixed Access	6,760,476	8,858,973	-2,098,497
Fixed Domestic calling	1,750,027	1,636,691	113,336
Fixed International calling	1,418,399	899,080	519,319
Remaining activities	30,053,279	23,283,675	6,769,605
<i>Retail Mobile Network</i>	10,739,634	6,244,953	4,494,681
<i>Remaining Activities</i>	19,313,645	17,038,722	2,274,924
Total	65,677,714	54,904,336	10,773,378
Adjustments:			
Elimination of transfer charges	24,024,087	24,024,087	0
Dividends payable			6,000,000
Corporation Tax			1,632,016
Interest receivable			-11,112
Interest payable			540,380
Other finance adjustments			0
Impairments			0
Finance cost			446,000
Loss (Gain) on disposal of assets			0
Roundings	0	0	-1
Total adjustments	24,024,087	24,024,087	8,607,283
As per statutory accounts	41,653,628	30,880,249	2,166,095

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				
		-	1,939				
Current year	-	1,939	1,939	1,641	298	2,393	12.45%
Prior year	-	2,056	2,056	1,850	206	1,651	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 Nº	Internal Nº	Total Nº						
Access loop	-	1,939	1,939	-	23,402	23,402	1,641	Lines	0.00	82.84	82.84	1.00
Totals	-	1,939										

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 Nº	Internal Nº	Total Nº			External £	Internal £		
Access loop	-	2,056	2,056	-	23,712	23,712	1,850	Lines	0.00	86.70	86.70	1.00
Totals	-	2,056										

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	-	4,475	4,475	4,038	437	3,511	12.45%
Prior year	-	4,190	4,190	3,819	370	2,975	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 Nº	Internal Nº	Total Nº			External £	Internal £		
DSL Lines	-	4,475	4,475	-	12,462	12,462	4,038	Lines	0.00	359.08	359.08	1.00
Totals	-	4,475										

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 Nº	Internal Nº	Total Nº			External £	Internal £		
DSL Lines	-	4,190	4,190	-	12,873	12,873	3,819	Lines	0.00	325.47	325.47	1.00
Totals	-	4,190										

Core Network - Fixed origination

Market Summary

	Revenue			Total Operating Costs £'000	Return £'000	Mean Capital Employed £'000	ROCE
	External £'000	Internal	Total				
		£'000	£'000				
Current year	-	32	32	178	-146	575	-25.37%
Prior year	-	35	35	185	-149	154	-97.14%

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	-	32	32	-	6	6	178	Mbps	0.00	5356.80	41253.64	0.13
Totals	-	32	32	0	10,460,274	10,460,274		mins	0	0.00310	0.02387	

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 Nº	Internal Nº	Total Nº			External £	Internal £		
National fixed call origination	-	35	35	-	7	7	185	Mbps	0.00	5356.80	31183.87	0.17
Totals	-	35	-	0	11,357,608	11,357,608	185	mins	0	0.00310	0.01805	

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	11	11	72	-61	233	-26.09%
Prior year	0	15	15	80	-65	67	-96.96%

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°						
National fixed call termination	0	11	11	0	2	2	72	Mbps	4670.27	4670.27	41253.64	0.11
Totals	0	11	11	123719	4,110,332	4,234,051	72	mins	0.002703	0.002703	0.023874	

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 Nº	Internal Nº	Total Nº			External £	Internal £		
National fixed call termination	0	15	15	0	3	3	80	Mbps	5356.80	5356.80	31183.87	0.17
Totals	0	15	15	68762	4,890,623	4,959,385	80	mins	0.003100	0.003100	0.018046	

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	13	407	419	348	71	535	13.27%
Prior year	12	956	968	792	176	5,151	3.42%

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 £		
Nat. Leased Lines <2 Mbps (WS)	-	141	141		9	9	126	Mbps	0.00	15018.40	15018.40	1.00
Nat. Leased Lines2 Mbps (WS)	13	104	117	6	49	55	100	Mbps	2120.00	2120.00	2038.93	1.04
Nat. Leased Lines > 2 Mbps (WS)	-	162	162		1,371	1,371	122	Mbps	0.00	117.94	117.94	1.00
Totals	13	407	419	6	1,430	1,436	348					
3.1%												

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	956	968	6	1,972	1,978	792	Mbps	2076.67	484.85	720.74	0.68
Totals	12	956	968	6	1,972	1,978	792					

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	102	103	194	-90	709	-12.74%
Prior year	2	148	150	322	-172	1,707	-10.07%

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	102	103	151,907	10,460,274	10,612,181	194	Min.	0.009749	0.009749	0.026588	0.366677
Totals	1	102										

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 Nº	Internal Nº	Total Nº			External £	Internal £		
Mobile voice termination	2	148	150	161,305	14,827,768	14,989,073	322	Mins	0.010001	0.010000	0.036742	0.272172
Totals	2	148										

4. Network Statement of Costs

For the current 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	1,870,976	390,564	-	2,261,540	3,298,452	12.45%	410,657	2,672,197	23,695	Lines	112.77
Access Nodes	2,521,263	921,724	-	3,442,988	2,643,975	12.45%	329,175	3,772,162	12,462	Lines	302.69
Line Cards	1,479	366	-	1,845	2,450	12.45%	305	2,150	23,402	Lines	0.09
Leased line equipment	241,018	10,157	-	251,175	223,230	12.45%	27,792	278,967	76	Lines	3,686.79
National transmission equipment	54,436	428,918	-	483,354	1,631,535	12.45%	203,126	686,480	13,255	Mbps	51.79
National transmission infrastructure	200,495	39,141	-	239,636	759,248	12.45%	94,526	334,162	13,255	Mbps	25.21
National transmission ducts & cables	10,003	29,832	-	39,835	292,565	12.45%	36,424	76,259	13,255	Mbps	5.75
Remote Concentrators	383,815	45,519	-	429,333	2,731,846	12.45%	340,115	769,448	64	Mbps	11,990.38
Switching	903,920	54,231	-	958,151	2,202,281	12.45%	274,184	1,232,335	42	Mbps	29,180.49
Mobile	922,962	726,060	-	1,649,022	6,034,169	12.45%	751,254	2,400,276	90,275,541	min.	0.02659
TOTAL	7,110,367	2,646,512	-	9,756,879	19,819,749		2,467,559	12,224,437			

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	2,220,119	314,326	-	2,534,445	2,298,808	12.45%	286,202	2,820,646	24,120	Lines	116.94
Access Nodes	2,377,127	762,960	-	3,140,087	2,361,138	12.45%	293,962	3,434,048	12,873	Lines	266.77
Line Cards	33,827	4,033	-	37,860	5,038	12.45%	627	38,487	25,633	Lines	1.50
	-	-	-	-	-	0.00%	-	-	-	-	-
National transmission equipment	161,564	357,178	-	518,741	2,145,308	12.45%	267,091	785,832	11,720	Mbps	67.05
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	536.72
National transmission ducts & cables	189,701	156,110	-	345,811	1,642,962	12.45%	204,549	550,359	5,051	Mbps	108.96
Remote Concentrators	617,196	64,039	-	681,235	899,136	12.45%	111,942	793,177	70	Mbps	11,407.67
Switching	789,489	65,917	-	855,407	378,904	12.45%	47,174	902,580	47	Mbps	19,065.48
Mobile	227,504	845,708	-	1,073,212	5,987,819	12.45%	745,483	1,818,695	14,989,073	min	0.12133
TOTAL	6,735,317	3,842,044	-	10,577,361	26,326,069	0.00%	3,277,596	13,854,956	-	-	-

5. Service Cost Statement

Service cost statement – usage of services by network components

For the current year

Network component		Unit	Average Cost Per Unit £	Routing Factors							Mobile
				Unbundled Network	Broadband Access	Fixed Origination	Fixed Termination	Leased Lines <2Mbps	Leased Lines 2Mbps	Leased Lines >2Mbps	
				Full access loop	DSL Line	National Fixed Origination	National Fixed Termination	Nat'l Leased Circuits <2Mbps	Nat'l Leased Circuits 2Mbps	Nat'l Leased Circuits >2Mbps	Mobile Voice Termination
Access Loops	Lines	112.77	0.7337	0.5000	-	-	-	7.6352	1.0000	0.0180	-
Access Nodes	Lines	302.69	-	1.0000	-	-	-	-	-	-	-
Line Cards	Lines	0.09	1.0000	-	-	-	-	-	-	-	-
Leased line equipment	Lines	3,686.79	-	-	-	-	-	3.8176	0.5000	0.0090	-
National transmission equipment	Mbps	51.79	-	-	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	-
National transmission infrastructure	Mbps	25.21	-	-	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	-
National transmsion ducts & cables	Mbps	5.75	-	-	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	-
Remote Concentrators	Mbps	11,990.38	-	-	1.0000	1.0000	1.0000	-	-	-	-
Switching	Mbps	29,180.49	-	-	1.0000	1.0000	1.0000	-	-	-	-
Mobile	min.	0.02659	-	-	-	-	-	-	-	-	1.0000

For the prior year

Network component	Unit	Average Cost Per Unit £	Routing Factors						Leased Lines	Mobile Voice Termination
			Unbundled Network	Broadband Access	Fixed Origination	Fixed Termination				
			Full access loop	DSL Line	National Fixed Origination	National Fixed Termination			Nat'l Leased Circuits	
Access Loops	Lines	116.94	0.7286	0.5000	-	-			0.1008	-
Access Nodes	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 transmission 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	0.12133	-	-	-	-			-	0.3028

Service cost statement – costing of services using routing factors

For the current year

Network component	Unit	Average Cost Per Unit £	Unbundled Access	Broadband Access	Fixed Origination	Fixed Termination	Leased Lines	Leased Lines	Leased Lines	Mobile
			Full access loop	DSL Line	National Fixed Origination	National Fixed Termination	Nat'l Leased Circuits <2Mbps	Nat'l Leased Leased 2Mbps	Nat'l Leased Leased >2Mbps	Mobile Voice Termination
Access Loops	Lines	112.77	82.75	56.39	-	-	861.04	112.77	2.03	-
Access Nodes	Lines	302.69	-	302.69	-	-	-	-	-	-
Line Cards	Lines	0.09	0.09	-	-	-	-	-	-	-
Leased line equipment	Lines	3,686.79	-	-	-	-	14,074.61	1,843.40	33.16	-
National transmission equipment	Mbps	51.79	-	-	51.79	51.79	51.79	51.79	51.79	-
National transmission infrastructure	Mbps	25.21	-	-	25.21	25.21	25.21	25.21	25.21	-
National transmission ducts & cables	Mbps	5.75	-	-	5.75	5.75	5.75	5.75	5.75	-
Remote Concentrators	Mbps	11,990	-	-	11,990	11,990	-	-	-	-
Switching	Mbps	29,180	-	-	29,180	29,180	-	-	-	-
Mobile	min.	0.02659	-	-	-	-	-	-	-	0.02659
TOTAL FAC			82.84	359.08	41,254	41,254	15,018.40	2,038.93	117.94	0.02659

For the prior year

Network component	Unit	Average Cost Per Unit £	Unbundled Access	Broadband Access	Fixed Origination	Fixed Termination	Leased Lines	Mobile Termination
			Full access loop	DSL Line	National Fixed Origination	National Fixed Termination	Nat'l Leased Circuits	
			£/unit					
Access Loops	Lines	116.94	85.20	58.47	-	-	11.79	-
Access Nodes	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 transmsion ducts & cables	Mbps	108.96	-	-	108.96	108.96	108.96	-
Remote Concentrators	Mbps	11,408	-	-	11,408	11,408	-	-
Switching	Mbps	19,065	-	-	19,065	19,065	-	-
Mobile	min	0.12133	-	-	-	-	-	0.03674
TOTAL FAC			86.70	325.47	31,184	31,184	720.74	0.03674

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	Upstream broadband	Gateway access	Nat. Leased Lines <2 Mbps (WS)	Nat. Leased Lines > 2 Mbps (WS)	Inter-national leased circuit	Mobile Voice Termination
Access loops	-	-	-	0.7337	0.5000	-	-	2.0000	2.0000	-	-
Access Nodes	-	-	-	-	1.0000	-	-	-	-	-	-
Line Card	-	-	-	1.0000	-	-	-	-	-	-	-
CPE	-	-	-	-	-	-	-	-	-	-	-
Leased line equipment	-	-	-	-	-	-	-	-	-	-	-
National Transmission Equipment	1.0000	1.0000	2.0000	-	-	1.0000	-	1.0000	1.0000	-	-
National Transmission Infrastructure	1.0000	1.0000	2.0000	-	-	1.0000	-	1.0000	1.0000	-	-
National Transmission Ducts and Cables	1.0000	1.0000	2.0000	-	-	1.0000	-	1.0000	1.0000	-	-
International Transmission Equipment	-	-	-	-	-	1.0000	-	-	-	1.0000	-
International Transmission Infrastructure	-	-	-	-	-	1.0000	-	-	-	1.0000	-
International Transmission Ducts and Cables	-	-	-	-	-	1.0000	-	-	-	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

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 Voice Termination
Access loops	-	-	-	0.7286	0.5000	-	-	2.0000	-	-
Access Nodes	-	-	-	-	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	-	-	-	-	-	-	-	-	-	0.3028

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	6,760,476	6,891,973	1,709,468	14,209	338,024	8,953,674	243,323	9,196,997	23,402	382.60	393.00	288.88

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	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

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	1,024,242	134,408	156,660	1,139	51,212	343,419	15,265	358,684	10,460,274	0.03283	0.03429	0.09792
National calling	725,785	1,169,190	144,648	1,067	36,289	1,351,195	14,314	1,365,508	37,886,428	0.03566	0.03604	0.01916

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	1,117,772	175,449	330,417	974	55,889	562,729	18,613	581,342	11,288,618	0.04985	0.05150	0.09902
National calling	796,374	870,424	205,118	918	39,819	1,116,279	17,540	1,133,818	40,331,117	0.02768	0.02811	0.01975

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	1,418,399	203,042	677,523	1,348	70,920	952,832	17,168	970,000	8,334,545	0.1143	0.1164	0.1702

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	1,424,820	173,161	1,153,286	5,368	71,241	1,403,056	102,573	1,505,628	8,826,828	0.1590	0.1706	0.1614

8. Statement of transfer charges

Price Volume Data for Transfer Charge Matrix

Retail service	Wholesale service ¹	Cost- based Rate(£)	Regulated / External Rate(£)	Applied Rate(£)	Billing Unit	Service Volume	Total (£000)
Fixed access retail	Access Network						
	Unbundled Access	82.84		82.84	Lines	23,402	1,939
	Broadband Access	359.08		359.08	Lines	12,462	4,475
	Remainder Access	176.00		176.00	Lines	2,719	479
Total							6,892
Fixed domestic calling retail	Core network						
	Fixed Origination	0.0239	0.003100	0.003100	mins	10,460,274	32
	Mobile Termination	0.0266	0.009749	0.009749	mins	10,460,274	102
	Remainder Core	0.0309		0.030860	mins	37,886,428	1,169
Total							1,304
Fixed international calling retail	Core network						
	Remainder core	0.0244		0.0244	mins	8,334,545	203
Total							203
Remaining fixed retail	Core network						
	Fixed Termination	0.0239	0.002703	0.002703	mins	4,110,332	11
	Leased Lines < 2 Mbps	15,018.40		15,018.40	Mbps	9	141
	Leased Lines 2 Mbps	2,038.93	2,120.00	2,120.00	Mbps	49	104
	Leased Lines > 2 Mbps	117.94		117.94	Mbps	1,371	162
	Remainder Core						13,457
Total							13,875
Mobile retail	Core Network						
	Remaining activities mobile						1,751
Total							1,751

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

Transfer Charges Matrix

ORIGIN - DESTINATION	Fixed access retail	Fixed domestic calling retail	Fixed international calling retail	Remaining fixed retail	Unbundled Access	Broadband Access	Remainder access	Fixed Origination	Fixed Termination	Leased lines	Remainder core	Mobile retail	Mobile termination	Remaining activities mobile	Internal revenue received
Fixed access retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed domestic calling retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed international calling retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remaining fixed retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unbundled Access	1,939	-	-	-	-	-	-	-	-	-	-	-	-	-	1,939
Broadband Access	4,475	-	-	-	-	-	-	-	-	-	-	-	-	-	4,475
Remainder access	479	-	-	-	-	-	-	-	-	-	-	-	-	-	479
Fixed Origination	-	32	-	-	-	-	-	-	-	-	-	-	-	-	32
Fixed Termination	-	-	-	11	-	-	-	-	-	-	-	-	-	-	11
Leased lines	-	-	-	407	-	-	-	-	-	-	-	-	-	-	407
Remainder core	-	1,169	203	13,457	-	-	-	-	-	-	-	-	-	-	14,829
Mobile retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mobile termination	-	102	-	-	-	-	-	-	-	-	-	-	-	-	102
Remaining activities mobile	-	-	-	-	-	-	-	-	-	-	-	1,751	-	-	1,751
Internal cost charged	6,892	1,304	203	13,875	-	-	-	-	-	-	-	1,751	-	-	24,024

End of Regulatory Financial Statements

