

**RTÉ Transmission Network Limited
(T/A 2rn)**

REGULATED ACCOUNTS

MARKET A

**YEAR ENDED
31 DECEMBER 2015**

Regulated Accounts

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Introduction

The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011), which revoked and replaced its predecessor 2003 (S.I. No. 307 of 2003), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011, which revoked and replaced its predecessor S.I. No. 305 of 2003) (respectively "the Framework Regulations" and "the Access Regulations") establish the framework for the regulation of the provision of electronic communications networks and services in Ireland. Under this framework, the Commission for Communications Regulations (ComReg) may designate operators as having Significant Market Power (SMP) in respect of specific markets, in which case ComReg may impose on such operators a range of ex ante obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Access Regulations, a requirement for accounting separation and cost accounting respectively. RTÉ Transmission Network Limited ("RTÉNL", or "the Company") trading as 2rn has been designated with SMP in the market for wholesale access to national terrestrial broadcast transmission services and accordingly is subject to obligations of accounting separation and cost accounting in this market. This market is referred to and defined as Market A in ComReg Decision No.11/13¹.

Decision No.11/13 and the Decision Instrument Market A which has been provided to 2rn, sets out the relevant detail and manner in which 2rn is required to meet these obligations. Sections 11 and 12 of the Decision Instrument Market A refer to these obligations and they are each further detailed at Annex 1 to the Decision Instrument Market A in an annex titled "Detail of the Accounting Separation Obligations- Market A" ("referred to as Annex 1").

Section 2 of Annex 1 Market A requires 2rn's financial records and accounting systems to be sufficiently detailed and supported by sufficient data to ensure that (i) 2rn is in a position to comply with the transparency, non-discrimination, accounting separation, price control and cost accounting obligations imposed on it and (ii) 2rn is in a position to prepare Regulated Accounts which it is obliged to maintain for Market A and, where specified for Services.

As specified at Section 3 of Annex 1 Market A, Separated Accounts are required to be maintained by 2rn in respect of Market A. This requires that Separated Accounts by 2rn contain Regulated Accounts which consists of Historical Cost Accounts ("HCA"), Additional Financial Data and Accounting Documentation. The term "Accounting Documentation" is further defined and detailed at Section 5 of Annex 1 Market A and consists of two principal documents, Primary Accounting Documentation and Secondary Accounting Documentation. This document sets out the Regulated Accounts for Market A and should be read in conjunction with the Primary Accounting Documentation which is under separate cover.

Regulated Accounts are required to be prepared for the following market:

Market	Market description
Market A	Market for Wholesale supply of Transmission and Distribution Services

¹ Comreg document No.13/71 entitled "Market Review Broadcasting Transmission Services in Ireland" dated 26 July 2013.

Introduction (continued)

Market A is the wholesale market where 2rn as the upstream transmission network provider supplies a transmission and distribution service via its towers and masts infrastructure and relevant associated facilities (including transmission and distribution equipment, buildings etc in order to enable (i) the broadcast of national analogue terrestrial radio signals to end users and (ii) the broadcast by a Multiplex Operator of its digital multiplexing service.

The Regulated Accounts are prepared in accordance with the Primary Accounting Documentation. The Primary Accounting Documentation set out the framework under which the Regulated Accounts have been prepared, which is set out in the Decision Notice, insofar as they apply to the year ended 31 December 2015.

Statement of Responsibility for preparing the Regulated Accounts Market A

The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011) and the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011) and the European Communities (Electronic Communications Networks and Services) (respectively “the Framework Regulations”, and “the Access Regulations”) establish the framework for the regulation of the electronic communications networks and services in Ireland.

Under this framework, the Commission for Communications Regulations (“ComReg”) may designate operators as having Significant Market Power (“SMP”) in respect of specific markets, in which case ComReg may impose on such operators a range of obligations including, pursuant to Regulation 11 of the Access Regulations a requirement for accounting separation and pursuant to Regulation 13 of the Access Regulations cost accounting. RTÉ Transmission Network Limited (“RTÉNL”) has been designated with SMP in the market for wholesale access to national terrestrial broadcast transmission services and is subject to the obligations of accounting separation and cost accounting. ComReg Decision No.11/13 of 26 July 2013 specifies the manner in which RTÉNL must meet its obligations of accounting separation and cost accounting in particular as is set out in Annex 1 to the Decision Instrument entitled Detail of the Accounting Separation Obligations Market A.

The Directors are responsible for ensuring that the Company maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company, and for properly preparing the Regulated Accounts, which are required to present fairly, in accordance with the Primary Accounting Documentation and the Decision Instrument No.11/13 the results and Mean Capital Employed for Market A.

The Regulated Accounts for the year ended 31 December 2015 were prepared further to, and in accordance with Decision No.11/13.

RTÉNL confirms that, to the best of its knowledge and in good faith, the Regulated Accounts for the year ended 31 December 2015 have been prepared in accordance with the requirements of the governing legislation. It also confirms that, to the best of its knowledge and in good faith the Regulated Accounts have been prepared in accordance with the Accounting Documentation for the year ended 31 December 2015.

Signed:



Eoin McGettigan

Chairman:



Mick Kehoe

Director:

Date: 20 April 2016



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Report of the Independent Auditors to RTÉ Transmission Network Limited (“the Company”) and the Commission for Communications Regulation (“ComReg”) issued in accordance with the Final Decision Instrument –Market A (“The Decision Instrument”) issued on 26 July 2013

We have audited the Regulated Accounts of Market A for the year ended 31 December 2015 which comprises the Market A Income Statement, the Market A Statement of Mean Capital Employed and the Notes to the Regulated Accounts.

The Regulated Accounts of Market A are prepared by the Company under the historical cost convention in accordance with the Final Decision Instrument – Market A (“The Decision Instrument”) issued on 26 July 2013 and the Primary Accounting Documentation dated 20 April 2016.

Our report has been prepared for the Company and ComReg solely in connection with the Decision Instrument. It has been released to the Company and ComReg on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company’s own internal purposes) or in part, without our prior written consent. This report, including the opinion, has been prepared for and only for the Company and ComReg, in accordance with the Decision Instrument, 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 and ComReg, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of ComReg, the Directors of RTÉ Transmission Network Limited and the Auditors

As explained more fully in the Directors’ Responsibilities Statement of RTÉ Transmission Network Limited set out on page 5, the Directors are responsible for preparing the Regulated Accounts which are fairly presented in accordance with the Primary Accounting Documentation and comply with the requirements of the Decision Instrument.

As explained in the Primary Accounting Documentation and “Basis of Preparation” on page 12, the Company prepared the Regulated Accounts by disaggregating balances recorded in the general ledger and other accounting records of RTÉ Transmission Network Limited, maintained in accordance with the Companies Act 2014 and used, in accordance with that Act, for the preparation of the Company statutory financial statements for the year ended 31 December 2015 (“the Statutory Financial Statements”). The Regulated Accounts are separate from the Statutory Financial Statements of RTÉ Transmission Network Limited and have not been prepared in accordance with International Financial Reporting Standards as endorsed by the EU (“IFRS”).

Our responsibilities, as independent auditors, are established in Ireland by the Decision Instrument and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Financial Reporting Council.



Report of the Independent Auditors to RTÉ Transmission Network Limited (“the Company”) and the Commission for Communications Regulation (“ComReg”) issued in accordance with the Final Decision Instrument –Market A (“The Decision Instrument”) issued on 26 July 2013 (continued)

Scope of the audit of the Regulated Accounts

KPMG audited the Statutory Financial Statements for the year ended 31 December 2015 on which we expressed an unqualified audit opinion in accordance with our statutory obligations under the Companies Act 2014. In conducting our subsequent examination of the Regulated Accounts, and in providing the opinion below, we have not performed any additional tests of the transactions and balances which are recorded in the general ledger and other accounting records beyond those already performed for the purpose of the audit of the Statutory Financial Statements.

An audit involves obtaining evidence about the amounts and disclosures in the Regulated Accounts sufficient to give reasonable assurance that the Regulated Accounts are fairly presented in accordance with the Primary Accounting Documentation and on that basis, are free from material misstatement, whether caused by fraud or error. As the nature, form and content of the Regulated Accounts are determined by ComReg, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Opinion on Regulated Accounts

In our opinion the Regulated Accounts for Market A as a whole for the year ended 31 December 2015, have been fairly presented in accordance with the Primary Accounting Documentation dated 20 April 2016 and comply with the requirements of the Decision Instrument.

Other matter - basis of preparation

Without modifying our opinion, we draw attention to the Primary Accounting Documentation which describes the basis of preparation of the Regulated Accounts. The Regulated Accounts are separate from the Statutory Financial Statements of the Company and have not been prepared exclusively on the basis of IFRS. Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in Statutory Financial Statements prepared in accordance with the Companies Act 2014.

KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

20 April 2016

Income Statement

Market A Regulated Accounts
for the year ended 31 December 2015

	2015 €'000	2014 €'000
Revenue		
Intra market revenue	10,630	10,333
External revenue	541	994
Internal revenue	4,683	4,434
Total Revenue	<u>15,854</u>	<u>15,761</u>
Operating Costs		
Employee and personnel related costs	(3,208)	(3,153)
Network electricity	(2,001)	(1,929)
Maintenance costs	(1,018)	(891)
Other operating costs	(1,073)	(1,122)
Central shared services costs	(402)	(431)
Rent and rates	(769)	(807)
Depreciation	(4,054)	(4,009)
Total Operating Costs	<u>(12,525)</u>	<u>(12,342)</u>
Return	<u>3,329</u>	<u>3,419</u>
Mean Capital Employed	<u>48,419</u>	<u>49,938</u>
Return on Mean Capital Employed (%)	<u>6.88%</u>	<u>6.85%</u>

The Market A Regulated Accounts were approved on 20 April 2016 by the Board of the Company and signed on its behalf by:



Eoin McGettigan
Chairman



Mick Kehoe
Director

Statement of Mean Capital Employed

Market A Regulated Accounts
as at 31 December 2015

	2015 €'000	2014 €'000
Non Current Assets		
Property, Plant and Equipment	48,959	50,643
Intangible Assets	159	204
Total Non Current Assets	49,118	50,847
Current Assets		
Trade, other receivables, prepayments and accrued income	1,842	3,223
Cash and cash equivalents	1,009	1,070
Total Current Assets	2,851	4,293
Total Assets	51,969	55,140
Current Liabilities		
Liabilities and other payments	(3,550)	(5,202)
Total Current Liabilities	(3,550)	(5,202)
Mean Capital Employed	48,419	49,938

The Market A Regulated Accounts were approved on 20 April 2016 by the Board of the Company and signed on its behalf by:



Eoin McGettigan
Chairman



Mick Kehoe
Director

Income Statement Reconciliation

Market A Regulated Accounts
for the year ended 31 December 2015

	2015 €'000	2015 €'000	2014 €'000	2014 €'000
Return per Income Statement		3,329		3,419
Depreciation reconciling adjustments:				
Reversal of Statutory depreciation related to fair value uplifts in Statutory Financial Statements	(464)		(574)	
Impact of changes to asset lives between regulatory and Statutory Financial Statement	(643)		(537)	
		(1,107)		(1,111)
Specific income / (expenditure) excluded for regulatory purposes:				
Net interest expense per Statutory Financial Statements		(964)		(3,724)
Operating income/ (expenditure)		8,473		8,120
Depreciation		(526)		(586)
Return Market B regulated accounts		119		159
		9,324		6,277
Profit before taxation per Statutory Financial Statements				
		(403)		(409)
Profit on Ordinary activities after taxation per Statutory Financial Statements 2rn		8,921		5,868

Statement of Mean Capital Employed Reconciliation

Market A Regulated Accounts
as at 31 December 2015

	2015 €'000	2015 €'000	2014 €'000	2014 €'000
Mean Capital Employed for the year		48,419		49,938
Adjustments for regulatory purposes:				
Net of residual revaluation surplus eliminated for regulatory purposes		5,276		6,271
Tangible asset value adjustments for regulatory purposes		3,654		3,872
Amount in Statutory Financial Statements not relevant to regulated Market A		4,555		5,842
Cash and cash equivalents		860		890
Mean Capital Employed for the year, Market B (including values in RTÉ Records)		1,455		1,914
Adjustments required to reflect mean values in RTÉ records relevant to Market B:				
Trade debtors		(1,425)		(1,306)
Deferred Income		1,132		998
VAT creditor		247		216
Mean Assets/Liabilities excluded for Regulatory purposes:				
Net Intercompany receivables	85,407		77,763	
Restricted cash	-		2,000	
Deferred tax	(3,199)		(2,683)	
Derivative financial instruments	(745)		(1,643)	
Employee benefits	(103)		(95)	
Borrowing and other debt	(42,500)		(39,125)	
		<u>38,860</u>		<u>36,217</u>
Total Mean Capital Employed per Statutory Financial Statements 2rn		<u>103,033</u>		<u>104,852</u>

¹Mean Capital Employed is the simple average per statutory financial statements at 31 December 2014 and 2015

Notes to the Regulated Accounts

Note 1

Definitions of the Markets

The definition of Market A is based on the regulatory decision as set out by ComReg Decision No.11/13, Market Review Broadcasting Transmission Services in Ireland.

Market A is the Wholesale market for the supply of transmission and distribution services via towers / masts infrastructure and relevant associated facilities (including transmission and distribution equipment, buildings etc.) in order to enable:

- The broadcast of national analogue terrestrial radio signals to end users
- The broadcast by a Multiplex Operator of its digital terrestrial broadcasting signals to end users.

In accordance with the above Decision Notice, Regulated Accounts are prepared for Market A.

Note 2

Basis of Preparation of Regulated Accounts

The structure of the Regulated Accounts required pursuant to Decision No.11/13 and the relevant Decision Instruments (i.e. Market A) does not correspond to the way in which the Company is organised and operates and hence does not correspond to the way the statutory accounting records are structured and prepared. The Regulated Accounts are therefore produced by overlaying the requirements of the Decision Notices on the statutory accounting record structure of 2rn.

These Regulated Accounts are prepared by attributing the balances, as modified in accordance with the Primary Accounting Documentation, in 2rn's general ledgers and other accounting records to the relevant Markets as required by the Decision Instruments.

The purpose of Accounting Separation is to provide an analysis of information derived from 2rn's financial records to reflect as closely as possible the performance of Market A as if it was operating as a separate business.

The Regulated Accounts have been prepared in accordance with the accounting policies as set out in the Statutory Financial Statements of 2rn ("the Statutory Financial Statements"), unless any specific deviation is required as a result of conforming to this documentation, together with the regulatory accounting principles and attribution methods as set out in the Primary Accounting Documentation dated 20 April 2016.

The Statutory Financial Statements of 2rn have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) that are effective for the year ended 31 December 2015.

Appendix I

Business Review

Market A, *Wholesale supply of Transmission and Distribution Services*, came into scope for regulation following ComReg Decision No.11/13 dated 26 July 2013.

Results for the year to 31 December 2015 show a return of €3.3m for the year or a 6.88% return on mean capital employed for Market A. This is below the currently proposed return of 8.11% based on the regulated tariff as notified to ComReg in January 2015 and implemented retrospectively from April 2014.

The return continues to increase and to tend towards the proposed return. The apparent shortfall arises due to the completion of the initial re-configuration of the broadcast network following the establishment of the regulated market. The usage configuration of the network continued to develop during the year and has now reached reasonable stability. The return in Market A is anticipated to continue to tend towards the proposed return in future years.