Registered no: MC-176140

ERC Ireland Preferred Equity Limited

(Formerly BCM Ireland Preferred Equity Limited)

Financial Statements

30 June 2009

ERC Ireland Preferred Equity Limited

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ERC Ireland Preferred Equity Limited

Company Information

Directors

Colm Barrington	Chairman
Jerome Barrett	Deputy Chairman
Andrew Day	
Kerry Roxburgh	
Gregory Sparks	
Damien Wodak	

Auditors
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors,
One Spencer Dock,
North Wall Quay,
Dublin 1
Ireland.

Registered Office
Maples & Calder Corporate Services Limited,
Ugland House,
South Church Street,
Grand Cayman,
Cayman Islands.

Company Secretary
Jacqui A. Conroy

ERC Ireland Preferred Equity Limited

Directors' report
For the Year Ended 30 June 2009

The directors present their report and the audited financial statements of the group for the year ended to 30 June 2009.

Books of account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at 1 Heuston South Quarter, St. John's Road, Dublin 8.

Principal Activities

The company's principal activity is that of a holding company. ERCIPE through its subsidiaries ('the Group'), provides fixed line and mobile telecommunications services in Ireland.

Background

ERC Ireland Preferred Equity Limited ("ERCIPE") (formerly BCM Ireland Preferred Equity Limited) was incorporated on 14 November 2006 and on the same date, it acquired 100% of the share capital of ERC Ireland Finance Limited ("ERCIF") (formerly BCM Ireland Finance Limited) from the company's immediate parent company, ERC Ireland Equity SPC ("ERCIE") (formerly BCM Ireland Equity SPC). This was completed by ERCIE transferring the shares it held in ERCIF to ERCIPE in exchange for the entire issued share capital of ERCIPE and the proceeds of Payment-In-Kind ("PIK") notes issued by ERCIPE. The relative rights of the former shareholders of ERCIF were not altered. The transaction has been accounted for in these financial statements in accordance with the principles of merger accounting that reflects the economic substance of the transaction.

ERC Ireland Holdings Limited ("ERCIH") (formerly BCM Ireland Holdings Limited) was incorporated on 17 February 2006. On 6 April 2006, ERCIH acquired 27.1% of the ordinary share capital of eircom Group Limited ("eircom Group") as part of an overall transaction where ERCIH issued shares in exchange for the shares in eircom Group, whose fair value was determined to be €578 million and net cash proceeds of €285 million.

ERCIH, and therefore ERCIPE, equity accounted for its share of the profits of eircom Group from 6 April 2006 up to 18 August 2006.

On 18 August 2006, ERCIH acquired the entire issued and to be issued Ordinary Share Capital of eircom Group not already owned by ERCIH and eircom Group became a 100% subsidiary of ERCIH and the ERCIPE group from that date.

Review of the Business

The group has continued to focus on the three strands of our stated strategy, driving performance in our core fixed line business, growing broadband and capturing value in mobile. This has been done against an extremely challenging economic background and strong competition in all our markets.

In our fixed line business, broadband continued to grow albeit at a slower rate than in previous years. There were 72,000 net customer additions in the year, versus 138,000 in the prior year, bringing our total broadband DSL customer base to 665,000 at 30 June 2009. Over 61% of our retail DSL customers are now on speeds of 3MBs or greater, up from 12% a year ago. Traditional telephony business lines have been negatively impacted by the macro economic situation and increased competition with a reduction of 67,000 PSTN lines in the year (15,000 in 2008). Traffic volumes have also reduced in the year as a result of the reduction in the PSTN line base and mobile substitution.

In our mobile business, customer numbers continue to grow, increasing by 38,000 in the year to 1,026,000 at 30 June 2009. Meteor's total estimated market share is 19.7% based on subscriber numbers at 30 June 2009 (Comreg Quarterly Report Q2), very close to our target of 20% set at the time of eircom's acquisition of Meteor. We have launched commercial 3G services in the greater Dublin and Cork areas and in a number of major towns across the country during 2009.

On 11 May 2009, eircom signed a 'Stage 1 Accord' with unions representing our employees. Under the Accord, we have frozen pay rates until June 2011 and we have set a target of reducing our labour resources (including contractors) by 1,200 by June 2011. This is expected to be achieved through a reduction of certain activities and efficiency improvements.

Future developments

Despite the deepening economic downturn and the pressures that this will bring for group business, management are confident that the group has the scale, resilience and depth of capabilities to offer our customers competitive products and services over the highest quality fixed and mobile networks. The group has invested in excess of €1 billion over the past three years in networks and systems. The group is focused on reducing its cost base to underpin competitiveness going forward in these difficult economic conditions.

Going concern
After making appropriate enquiries and on the basis of current financial projections and debt facilities available, the Directors have a reasonable expectation that the group and the company have and will have adequate resources to meet their financial needs and obligations for the foreseeable future and therefore the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Results
The financial results for the year are set out in the income statement on page 9 of the financial statements.

Post balance sheet events
Details of Post Balance Sheet Events are set out in Note 34 to the financial statements.

Directors
The Directors and company secretary, who held office during the year and up to the date of approval of these financial statements, are listed below. Unless otherwise indicated, the directors served for the entire period.

C. Barrington	Chairman	
J. Barrett	Deputy Chairman	Appointed 1 June 2009
A. Day		Appointed 27 March 2009
K. Roxburgh		
G. Sparks		Appointed 1 June 2009
D. Wodak		Appointed 29 June 2009
J. Conroy		Resigned 1 June 2009
P. Cross		Resigned 18 September 2008
P. Danon		Resigned 30 October 2008
J. Fanning		Resigned 27 March 2009
S. Gray		Appointed 9 October 2008, resigned 29 June 2009
C. Scanlon		Resigned 1 June 2009
R. Topfer		Resigned 9 October 2008
AM. Kearney		Resigned as company secretary on 8 September 2008, Resigned as Director on 18 September 2008
J. A. Conroy	Secretary	Appointed 8 September 2008

Directors' and secretary's interests
According to the register of directors and secretaries, none of the directors nor the company secretary had any beneficial interest in the share capital of the company. The interests of the directors and company secretary, who held office at 30 June 2009, in the share capital of group companies were as follows:

	Eircom Holdings Ltd (formerly Babcock & Brown Capital Ltd) Ordinary Shares	Options to acquire Eircom Holdings Ltd Ordinary Shares	ESOP Units[1]
<u>As at 30 June 2009</u>			
C. Barrington	-	-	-
J. Barrett	-	-	32,957
A. Day	-	-	-
K. Roxburgh	-	1,000,000	-
G. Sparks	-	-	-
D. Wodak	-	-	-
J. A. Conroy	-	-	-

Directors' and secretary's interests - continued

	Eircom Holdings Ltd Ordinary Shares	Options to acquire Eircom Holdings Ltd Ordinary Shares	ESOP Units[1]
As at 30 June 2008, or date of appointment if later			
C. Barrington	-	-	-
J. Barrett	-	-	32,957
A. Day	-	-	-
K. Roxburgh	-	1,000,000	-
G. Sparks	-	-	-
D. Wodak	-	-	-
J. A. Conroy	-	-	-

(1) Represents notional allocation of units under the group's ESOP only and does not represent existing share entitlement. The group's ESOP holds 35% of the Ordinary Share Capital and 100% of the Preference Share Capital of ERC Ireland Equity SPC, an intermediate holding company in the group. The total number of units held in the ESOP at 30 June 2009 was 325,449,862 (2008: 325,484,241).

Research and development

The group trials emerging technologies prior to full scale deployment, and participates in collaborative research with other European companies through its shareholding in EURESCOM. The group is actively participating with other operators and vendors, through membership of the Fixed Mobile Convergence Alliance, the Wi-Max Forum and the Fireworks Operators Group.

The income statement charge for research costs is set out in Note 7(a) to the financial statements.

Auditors

The Auditors, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Dublin, have indicated their willingness to continue in office.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

Statement of Directors' responsibilities in respect of the annual report and financial statements

For the Year Ended 30 June 2009

The directors are responsible for preparing the annual report and the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure that the financial statements comply with IFRS, as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account, that disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements are prepared in accordance with IFRS, as adopted by the European Union, and with Regulation 11 of the European Communities (Branch Disclosures) Regulations 1993.

The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

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Independent Auditor's Report to the members of ERC Ireland Preferred Equity Limited

We have audited the accompanying financial statements of ERC Ireland Preferred Equity Limited for the year ended 30 June 2009 which comprise the group income statement, the group and company balance sheet, the group and company cash flow statement and the group and company statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRS, as adopted by the European Union.

We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the company balance sheet is in agreement with the books of account.

We also report to you our opinion as to:

- whether the company has kept proper books of account; and
- whether the directors' report is consistent with the financial statements.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

PRICEWATERHOUSECOOPERS

Independent Auditor's Report to the members of ERC Ireland Preferred Equity Limited – continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group's financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 30 June 2009 and of its loss and cash flows for the year then ended; and

- the company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the company's affairs as at 30 June 2009 and of its cash flows for the year then ended.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers
Chartered Accountants
Dublin
27 October 2009

ERC Ireland Preferred Equity Limited

Group income statement

For the Year Ended 30 June 2009

	Notes	Period ended 30 June 2007	Year ended 30 June 2008	Year ended 30 June 2009
		€'m	€'m	€'m
Revenue	6	1,721	2,061	**1,997**
Operating costs excluding amortisation, depreciation, goodwill impairment, restructuring and other exceptional costs	7	(1,160)	(1,313)	**(1,295)**
Amortisation	7, 14	(70)	(81)	**(84)**
Depreciation	7, 15	(280)	(318)	**(333)**
Goodwill impairment	7, 13	-	-	**(720)**
Restructuring and other exceptional costs	7, 8	(170)	-	**(60)**
Net construction income	7, 9	19	37	**6**
Profit on disposal of property and investments	7, 10	-	78	**3**
Operating profit/(loss)		60	464	**(486)**
Finance costs	11 (a)	(258)	(333)	**(389)**
Finance income	11 (b)	17	14	**11**
Finance costs – net	11	(241)	(319)	**(378)**
Share of profit of associates	16	13	-	**2**
(Loss)/profit before tax		(168)	145	**(862)**
Income tax credit/(charge)	12	9	(28)	**11**
(Loss)/profit for the financial year attributable to equity holders of the parent	32	(159)	117	**(851)**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

ERC Ireland Preferred Equity Limited

Group balance sheet
As at 30 June 2009

	Notes	30 June 2008 €'m	30 June 2009 €'m
ASSETS			
Non-current assets			
Goodwill	13	2,342	**1,622**
Other intangible assets	14	740	**729**
Property, plant and equipment	15	2,161	**2,077**
Derivative financial instruments	27	89	**-**
Deferred tax asset	17	20	**13**
Other assets	18	25	**3**
		5,377	**4,444**
Current assets			
Inventories	19	13	**10**
Trade and other receivables	20	509	**354**
Financial assets at fair value through profit or loss	21	30	**8**
Other assets	18	26	**24**
Restricted cash	22	10	**7**
Cash and cash equivalents	23	359	**336**
		947	**739**
Total assets		6,324	**5,183**
LIABILITIES			
Non-current liabilities			
Borrowings	25	4,061	**4,050**
Derivative financial instruments	27	-	**70**
Trade and other payables	30	50	**53**
Deferred tax liabilities	28	254	**205**
Retirement benefit liability	37	113	**109**
Provisions for other liabilities and charges	29	183	**198**
		4,661	**4,685**
Current liabilities			
Borrowings	25	254	**109**
Derivative financial instruments	27	-	**71**
Trade and other payables	30	816	**711**
Current tax liabilities		43	**24**
Provisions for other liabilities and charges	29	78	**76**
		1,191	**991**
Total liabilities		5,852	**5,676**
EQUITY			
Equity share capital	31, 32	2	**2**
Share premium account	32	447	**447**
Revaluation reserve	32	3	**3**
Cash flow hedging reserve	32	63	**(51)**
Retained loss	32	(43)	**(894)**
Total equity		472	**(493)**
Total liabilities and equity		6,324	**5,183**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

ERC Ireland Preferred Equity Limited

Company balance sheet
As at 30 June 2009

	Notes	30 June 2008 €'m	30 June 2009 €'m
ASSETS			
Non-current assets			
Investments	16	863	**63**
		863	**63**
Current assets			
Cash and cash equivalents	23	1	**1**
		1	**1**
Total assets		864	**64**
LIABILITIES			
Non-current liabilities			
Borrowings	25	491	**550**
		491	**550**
Current liabilities			
Trade and other payables	30	9	**7**
		9	**7**
Total liabilities		500	**557**
EQUITY			
Equity share capital	31, 32	2	**2**
Share premium account	32	447	**447**
Retained loss	32	(85)	**(942)**
Total equity	32	364	**(493)**
Total liabilities and equity		864	**64**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

ERC Ireland Preferred Equity Limited

Group cash flow statement
For the Year Ended 30 June 2009

	Notes	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Cash flows from operating activities				
Cash generated from operations	33(a)	625	630	**769**
Interest received		9	13	**12**
Interest paid		(160)	(250)	**(255)**
Income tax refund		2	35	**-**
Income tax paid		(53)	(35)	**(18)**
Dividends paid to preference shareholders		(9)	(6)	**(4)**
Net cash generated from operating activities		414	387	**504**
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	5	(1,468)	-	**-**
Dividend received from associate undertaking		-	-	**2**
Purchase of property, plant and equipment ("PPE")		(265)	(274)	**(263)**
Proceeds from sale of PPE and investments	33(b)	53	155	**13**
Purchase of intangible assets		(78)	(57)	**(72)**
Restricted cash	22	(7)	(3)	**3**
Loans advanced to group undertakings	42(b)	(1)	(3)	**(5)**
Net cash used in investing activities		(1,766)	(182)	**(322)**
Cash flows from financing activities				
Redemption of preference shares		(165)	(71)	**(72)**
Proceeds from issue of share capital		23	-	**-**
Repayment on borrowings		(1,200)	(58)	**(221)**
Repayment of 7.25% senior notes		(550)	-	**-**
Repayment of 8.25% senior subordinated notes		(480)	-	**-**
Premium paid on early repayment of senior notes and senior subordinated notes		(102)	-	**-**
Currency swaps exit costs		(49)	-	**-**
Lease payments		(5)	(5)	**(3)**
Proceeds from loan borrowings		3,379	121	**96**
Proceeds from issuance of floating rate notes due 2016		350	-	**-**
Proceeds from issuance of floating rate senior payment-in-kind notes due 2017 (PIK)		425	-	**-**
Debt issue costs paid		(113)	-	**(1)**
Net cash generated from/(used in) financing activities		1,513	(13)	**(201)**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		161	192	**(19)**
Cash, cash equivalents and bank overdrafts at beginning of financial year		-	161	**353**
Cash, cash equivalents and bank overdrafts at end of financial year	23	161	353	**334**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

ERC Ireland Preferred Equity Limited

Company cash flow statement
For the Year Ended 30 June 2009

	Notes	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Cash flows from operating activities			
Cash generated from operations	33 (c)	-	**-**
Net cash generated from operating activities		-	**-**
Net increase in cash and cash equivalents		-	**-**
Cash and cash equivalents at beginning of financial year		1	**1**
Cash and cash equivalents at end of financial year	23	1	**1**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

ERC Ireland Preferred Equity Limited

Group statement of changes in equity
For the Year Ended 30 June 2009

	Notes	Total Equity €'m
Opening balance	32	**-**
Cash flow hedges:		
- Fair value gains in year	32	50
- Tax on fair value gains	32	(16)
- Transfer to income statement	32	3
Net income recognised directly in equity		37
Loss for the financial period attributable to equity holders of the parent	32	(159)
Total recognised loss for the financial period		(122)
Issue of share capital	32	863
Redemption paid to equity shareholders	32	(414)
Revaluation reserve	32	3
Balance at 30 June 2007	32	330
Balance at 1 July 2007	32	330
Currency translation differences	32	(1)
Cash flow hedges:		
- Fair value gains in year	32	54
- Tax on fair value gains (Note 28)	32	(10)
- Transfer to income statement	32	(18)
Net income recognised directly in equity		25
Profit for the financial year attributable to equity holders of the parent	32	117
Total recognised income for the financial year		142
Balance at 30 June 2008	32	472
Balance at 1 July 2008	32	**472**
Cash flow hedges:		
- Fair value loss in year	32	**(137)**
- Tax on fair value loss (Note 28)	32	**32**
- Transfer to income statement	32	**(9)**
Net expense recognised directly in equity		**(114)**
Loss for the financial year attributable to equity holders of the parent	32	**(851)**
Total recognised expense for the financial year		**(965)**
Balance at 30 June 2009	32	**(493)**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

ERC Ireland Preferred Equity Limited

Company statement of changes in equity
For the Year Ended 30 June 2009

	Notes	Total equity €'m
Balance at 1 July 2007	32	420
Loss for the financial year	32	(56)
Total recognised loss for the financial year		(56)
Balance at 30 June 2008	32	364
Balance at 1 July 2008	32	**364**
Loss for the financial year	32	**(857)**
Total recognised loss for the financial year		**(857)**
Balance at 30 June 2009	32	**(493)**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Colm Barrington

Jerome Barrett

23 October 2009

1. General information

ERC Ireland Preferred Equity Limited (‘the Company’ or “ERCIPE”) (formerly BCM Ireland Preferred Equity Limited) and its subsidiaries together, (‘the Group’) provide fixed line and mobile telecommunications services in Ireland. ERCIPE is registered in the Cayman Islands and is tax resident in Ireland. The address of its registered office is Maples & Calder Corporate Services Limited, Ugland House, South Church Street, Grand Cayman, Cayman Islands.

ERCIPE was incorporated on 14 November 2006 and on the same date it acquired 100% of the share capital of ERC Ireland Finance Limited (“ERCIF”) (formerly BCM Ireland Finance Limited) from the company’s immediate parent company, ERC Ireland Equity SPC (“ERCIE”) (formerly BCM Ireland Equity SPC). This was completed by ERCIE transferring the shares it held in ERCIF to ERCIPE in exchange for the entire issued share capital of ERCIPE and the proceeds of Payment-In-Kind (“PIK”) notes issued by ERCIPE. The relative rights of the former shareholders of ERCIF were not altered. Consequently, this transaction falls outside the scope of IFRS 3 ‘Business Combinations’ and has been accounted for in these financial statements in accordance with the principles of merger accounting which reflects the economic substance of the transaction.

In accordance with the requirements of merger accounting, the results of the operations of the ERCIPE group have been included in these financial statements from the date of incorporation of ERC Ireland Holdings Limited ("ERCIH") (formerly BCM Ireland Holdings Limited), the 100% subsidiary of ERCIF, on 17 February 2006 although ERCIPE did not obtain control of the group until 14 November 2006. The adoption of merger accounting presents ERCIPE as if it had always been the parent undertaking of the ERCIF group.

ERCIH was incorporated on 17 February 2006. On 6 April 2006, it acquired 27.1% of the ordinary share capital of eircom Group Limited (“eircom Group”) from Eamon Holdings Pty Limited as part of an overall transaction where ERCIH issued shares in exchange for the shares in eircom Group, whose fair value was determined to be €578 million and net cash proceeds of €285 million.

ERCIH, and therefore ERCIPE, equity accounted for its share of the profits of eircom Group from 6 April 2006 up to 18 August 2006, when eircom Group Limited became a 100% subsidiary of ERCIH.

On 23 May 2006, ERCIPE, through its wholly owned subsidiary ERCIH, reached agreement on the terms of a recommended Cash Offer under which ERCIH acquired the entire issued and to be issued Ordinary Share Capital of eircom Group not already owned by ERCIH. The scheme authorising the acquisition became effective on 18 August 2006 and eircom Group became a 100% subsidiary of ERCIH and ERCIPE from that date.

eircom Holdings Limited (formerly Babcock & Brown Capital Limited) is the ultimate parent company. The immediate parent company is ERCIE, a company registered in the Cayman Islands and tax resident in Ireland. The smallest group of undertakings for which group financial statements are drawn up of which the company is a member is ERCIE. The largest group of undertakings for which group financial statements are drawn up of which the company is a member is eircom Holdings Limited. Copies of the group financial statements of eircom Holdings Limited are available at Level 3, 50 Pitt Street, Sydney NSW 2000, Australia.

2. Accounting policies

The significant accounting policies adopted by the group and company are set out below.

2.1. Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis.

After making appropriate enquiries and on the basis of current financial projections and debt facilities available, the Directors have a reasonable expectation that the group and the company have and will have adequate resources to meet their financial needs and obligations for the foreseeable future. Therefore the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The Directors have taken into account all available information, including prospective compliance with financial covenants as required under the terms of borrowing arrangements, based on the group’s approved business plans up to 31 December 2010.

2. Accounting policies - continued

2.1. Basis of preparation - continued

Basis of preparation
These financial statements have been prepared in accordance with IFRS, as adopted by the European Union. A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As explained in Note 1, the reorganisation of the group has been accounted for in accordance with the principles of merger accounting as applicable to group reorganisations, as the relative rights of the former shareholders of ERCIF were not altered by the reorganisation. These consolidated financial statements are therefore presented as if ERCIPE had been the parent company of the group from the date of incorporation of ERCIH on 17 February 2006, although ERCIPE was not incorporated until 14 November 2006 and did not obtain control of the group until that date.

Standards, amendments and interpretations effective in 2009
IFRIC 13, ‘Customer loyalty programmes’ clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This interpretation has not had a material impact on the group.

IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’, provides guidance on assessing the limit in IAS 19 on the amount of a defined benefit surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This IFRIC is currently not applicable to the group.

IAS 39 and IFRS 7 (Amendments) – ‘Reclassification of Financial Assets’ allows for the reclassification of certain financial assets previously classified as “held-for trading” or “available-for-sale” to another financial asset category under limited circumstances. Various disclosures are required where a reclassification has been made. The amendments did not have a material impact on the group.

IFRIC 12, ‘Service concession arrangements’, applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This IFRIC is currently not applicable to the group.

2.2. Basis of consolidation
The consolidated financial statements of the group comprise a consolidation of the financial statements of the company, ERCIPE Limited, and its subsidiaries. The subsidiaries’ financial period ends are all coterminous with those of the company.

(i) *Subsidiaries*
Subsidiaries are entities over which the group has the power to govern the financial and operating policies in order to obtain benefits from their activities. Control is presumed to exist where the group owns more than 50% of the voting rights, unless in exceptional circumstances it can be demonstrated that ownership does not constitute control. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of ERCIPE and its subsidiaries after eliminating inter-company balances and transactions.

(ii) *Joint ventures*
Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement. The group’s interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures’ individual income and expenses, assets and liabilities on a line-by-line basis with similar items in the group’s financial statements.

(iii) *Associates*
An associate is an entity, that is neither a subsidiary nor a joint venture, over whose operating and financial policies the group exercises significant influence but not control. Significant influence is presumed to exist where the group holds between 20% and 50% of the voting rights, but can also arise where the group holds less than 20% if the group is actively involved and influential in policy decisions affecting the entity. The group's share of the net assets, post tax results and reserves of associates are included in the financial statements using the equity accounting method. This involves recording the investment initially at cost to the group and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the group's share of the associate's post tax results, less any impairment of goodwill and any other changes to the associate's net assets such as dividends.

2. Accounting policies - continued

2.2. Basis of consolidation - continued

(iv) *Acquisitions and disposals*

The purchase method of accounting is used to account for all business combinations, except for business combinations involving entities under common control and group reorganisations. Under the purchase method of accounting the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. The movement in the fair value of identifiable assets, liabilities and contingent liabilities between the date of the initial investment in the acquiree and the date of acquisition, being the date at which the Group achieves control of the acquiree is taken to the asset revaluation surplus.

The results of subsidiaries acquired during the period are brought into the consolidated financial statements from the date control transfers to the group; the results of businesses sold during the period are included in the consolidated financial statements for the period up to the date control ceases. Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold.

2.3. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is not amortised. Instead, Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing in accordance with IAS 36 "Impairment of Assets". The recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require the use of estimates, including management's expectations of future revenue growth, operating costs and profit margins for each cash generating unit.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.4. Intangible assets

Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. IT development costs include only those costs directly attributable to the development phase and are only capitalised following completion of a technical feasibility study and where the group has an intention and ability to use the asset which will contribute future period financial benefits through revenue generation and/or cost reduction. Internal costs associated with developing computer software programmes are also capitalised on the same basis. These costs are amortised over their estimated useful lives (three to four years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Other intangible assets, which comprise primarily acquired intangible assets, are capitalised at fair value and amortised using the straight-line method over their estimated useful lives, from the date the intangible assets are in use.

Indefinite lived intangible assets are not amortised. Instead indefinite lived intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

2. Accounting policies - continued

2.4. Intangible assets - continued
The following useful lives have been assigned to intangible assets:

	Years
Computer software	3 - 4
Monitoring contracts	3
Intangible assets from acquisitions:	
Pre-paid customer relationships (mobile)	1.5
Post-paid customer relationships (mobile)	4
Roaming customer relationships (mobile)	5
Retail customer relationships (fixed line)	10
Mobile trademark	12
Fixed line trademark	Indefinite
Fixed line license	2
GSM licence	15
3G licence	20

2.5. Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Amounts disclosed as revenue are net of discounts and value added tax. Revenue includes sales by group entities but excludes all inter-company sales.

The group recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the actual terms of each arrangement.

The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

When the group acts as principal bearing the risk and rewards of a transaction, revenue is recorded on a gross basis. However when the group acts as an agent on behalf of third parties, revenue is reported at the net amounts receivable from those third parties.

Fixed Line Revenue
Fixed line revenue is recognised in the period earned by rendering of services or delivery of products.

Traffic revenue is recognised at the time the traffic is carried over the group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products (broadband, line rentals and traffic) are accounted for in the same manner as the unbundled products comprising the bundle. The discount to standard rates is normally applied based on the relative fair value of the bundle.

Connection fee revenue is deferred over the life of the connection, which is estimated to be between three and seven years. Connection lives are reviewed annually.

Revenue from equipment sold to third parties is recognised when the equipment is delivered to the customer. Revenue arising from the provision of other services, including maintenance contracts, is recognised evenly over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

Mobile Revenue
Mobile revenue consists principally of charges to customers for traffic from mobile network services, revenue from providing network services to other telecommunications operators, and the sale of handsets.

Revenue from the sale of bundled products is allocated to the separate elements of the bundle on the basis of each element's relative fair value and recognised in revenue when each individual element of the product or service is provided. The fair values of each element are determined based on the current market price of the elements when sold separately. To the extent that there is a discount in the bundled product, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of each element.

2. Accounting policies - continued

2.6. Amounts paid and payable to other operators
Amounts paid and payable to other operators are mainly settlement fees that the group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

2.7. Customer acquisition costs
The group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are expensed as incurred in the income statement.

The costs associated with the group's advertising and marketing activities are also expensed as incurred.

2.8. Foreign currencies
Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in euro, which is the company's functional and presentation currency and is denoted by the symbol "€".

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Group entities
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

2.9. Taxation
The company is managed and controlled in the Republic of Ireland and, consequently, is tax resident in Ireland.

Current tax is calculated on the profits of the period. Current tax is determined using tax rates (and laws) that have been enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Accounting policies - continued

2.10. Financial instruments

(i) Borrowings
All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of issue costs) and the redemption value is recognised in the income statement over the period of borrowings using the effective interest method. Accrued issue costs are netted against the carrying value of borrowings.

Borrowings are classified as current liabilities, unless the group has an unconditional right to defer settlement for the liability for at least 12 months after the balance sheet date. Certain current amounts which were owed in relation to the Senior Preference Shares (SPS) were classified as non-current based on the repayment terms of the senior credit facility which has been utilised to effectively re-finance the SPS obligation. The SPS amounts payable were guaranteed as part of the senior credit facility.

Where the group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously then both the asset and the liability are presented on a net basis.

(ii) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of various derivative instruments used for hedging purposes and movements on the hedging reserve in shareholders' equity are shown in Note 27 and Note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives that are not designated as hedges or are ineligible for hedge accounting are classified as a current asset or liability.

(iii) Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. Any ineffective portion of the hedge is recognised in the income statement.

Amounts accumulated in equity are recycled in the income statement within finance costs in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iv) Financial assets held at fair value through profit or loss
A financial asset is classified in this way if acquired principally for the purpose of selling in the short term or if so designated by management. These financial assets are measured at fair value, and changes in the fair value are recognised in the income statement. Assets in this category are classified as current assets.

(v) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. The group's loans and receivables are set out in Note 24.

2. Accounting policies - continued

2.11. Property, plant and equipment
Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. Cost in the case of network plant comprises expenditure up to and including the last distribution point before customer's premises and includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Depreciation
Depreciation is provided on property, plant and equipment (excluding land), on a straight-line basis, so as to write off their cost less residual amounts over their estimated economic lives. The estimated economic lives assigned to property, plant and equipment are as follows:

Asset Class	**Estimated Economic Life (Years)**
Buildings	40
Network Plant	
Transmission Equipment	
Duct	20
Overhead cable/poles	10-15
Underground cable	14
Other local network	6-15
Exchanges	
Exchange line terminations	8
Core hardware/operating software	3-4
Others	3-14

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial statements and the net amount, less proceeds from disposal, is charged or credited to the income statement.

Assets in the course of construction
Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, based on the weighted average interest rate on outstanding borrowings, while constructing capital projects is capitalised.

Asset retirement obligations
The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these assets over the useful life of the related asset.

2.12. Impairment of non financial assets
Assets that have an indefinite useful life, principally goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill and secondly against the other assets (including other intangible assets) in the cash generating unit on a pro-rata basis based on the carrying amount of each asset in the cash generating unit.

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss in respect of goodwill may not be reversed in any circumstances.

2. Accounting policies - continued

2.13. Leased assets
The fair value of property, plant and equipment acquired under finance leases is included in property, plant and equipment and depreciated over the shorter of the lease term and the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the income statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.14. Inventories
Inventories comprise mainly of consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items, on the basis of a review of individual items included in inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.15. Trade receivables
Trade receivables are recognised initially at fair value, which is normally the original invoiced amount and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or a financial re-organisation, default or delinquency in payments and general economic conditions are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of the bad debt provision account, and the amount of the loss is recognised in the income statement in "operating costs". When a trade receivable is uncollectible, it is written off against the bad debt provision account.

2.16. Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturity of less than three months.

2.17. Indefeasible rights of use ("IRU")
The group accounts for IRU contracts in the following manner:

(i) Sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over a 17 to 25 year period, being the period of the relevant contracts.

(ii) Purchase contracts are accounted for as service contracts with the pre-paid balance recorded as a deferred debtor and amortised on a straight-line basis as an expense over a 7 year period, being the period of the relevant contracts.

2.18. Employee benefits
(i) *Pension obligations*
Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to an independent trustee-administered funds. The group operates both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. Under defined contribution plans, the group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

Typically, defined benefit plans define an amount of future pension benefit that employees have earned in return for their services to date. The pension benefit that an employee will receive on retirement, is usually dependent on factors such as age, years of service and compensation. The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the group's defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. Plan assets are valued at their market value at the balance sheet date using bid values. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in euros, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

2. Accounting policies - continued

2.18. Employee benefits - continued
(i) *Pension obligations - continued*
Pre 1 January 1984, past-service costs are the responsibility of the Irish Minister for Finance. Post 1 January 1984, past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(ii) *Share-based compensation*

Share appreciation rights scheme (“SARS”)
One of the group’s subsidiaries operates a cash settled share appreciation rights scheme (“SARS”). The SARS entitle certain employees to receive performance units. The group grants performance units and measures the employee services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the group re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in the income statement. Non-market vesting conditions are included in assumptions about the number of performance units that are expected to vest. At each balance sheet date, the group revises the estimate of the number of performance units that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to liabilities as appropriate over the remaining vesting period.

(iii) *Other bonus plans*
The group recognises a provision and an expense for bonuses where contractual or constructive obligation exists.

(iv) *Termination benefits*
Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2.19. Provisions
Provisions for obligations relating to the disposal and dismantling of certain assets and related restoration requirements, onerous contracts on property, restructuring programme costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

A constructive obligation, for restructuring cost, exists where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous lease provisions have been measured at the lower of the cost to fulfil the contract or, the estimated cost to exit it, where appropriate.

2.20. Share capital
Ordinary shares are classified as equity. Preference shares, including convertible preference shares, which are mandatorily redeemable, are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21. Dividend distribution
Final dividend distributions to equity shareholders are recognised as a distribution in the group’s financial statements in the period in which the dividends are approved by the equity shareholders. Interim dividend distributions to equity shareholders are recognised as a distribution in the group’s financial statements in the period in which the dividends are paid.

2. Accounting policies - continued

2.22. Segmental reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

2.23. Investments
Investments in subsidiaries included in the company balance sheet are shown at cost less provision for impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the subsidiaries carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the subsidiaries fair value less costs to sell and value in use.

2.24. Financial guarantee contracts
Financial guarantees issued by the group, for the benefit of third parties, are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognised less cumulative amortisation, where appropriate.

2.25. Construction contracts
Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Only those contract costs that reflect work performed are included in costs incurred to date.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs have been incurred plus recognised profit (less recognised losses).

2.26. Exceptional items
The group has adopted an income statement format which seeks to highlight significant items within group results for the year. The group believe that this presentation provides additional analysis as it highlights one-off items. Such items include, where significant, restructuring, onerous contracts and impairment of individual assets. Judgement is used by the group in assessing the particular items, which by virtue of their scale and nature, are disclosed in the group income statement and related notes as restructuring and other exceptional costs.

3. Financial risk management

Financial risk factors
The group's activities expose it to a variety of financial risks: market rate risk (including cash flow, interest rate risk, currency risk and price risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments, such as interest rate swaps to hedge certain risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks and ageing analysis for credit risk. Responsibility for managing these risks rests with the Board.

The group does not hold or issue derivative financial instruments for financial trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

There have been no significant changes in the types of financial risks or the group's risk management program (including methods used to measure the risks) since 30 June 2008.

3.1. Market rate risk
Market rate risk refers to the exposure of the group's financial position to movements in interest rates, currency rates and general price risk.

The principal aim of managing the interest rate risk is to limit the adverse impact on cash flows and shareholder value of movements in interest rates. The group has limited exposure to equity, currency and price risk, other than the impact of those risks on the group's defined benefit pension scheme.

The group finances its investments with significant amounts of borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings at a fixed rate expose the group to fair value interest rate risk.

The group uses derivative financial instruments to hedge certain interest rate risk exposures and to generate the desired effective profile of interest rate risk.

The main derivatives used are interest rate swaps. The group seeks to manage the fixed/floating mix of its borrowings with the aim of controlling cost while mitigating its exposure to interest rate risk. The group achieves fixed rates on borrowings indirectly through the use of interest rate swaps. Under interest rate swaps, the group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate amounts calculated by reference to an agreed notional principal amount. Group policy is to fix rates on its borrowings between 60% to 80% for rolling period of two years, 50% to 80% of year three, and up to 50% for fourth and subsequent years. This policy has been complied with at the reporting date, with rates fixed for 72% (30 June 2008: 69%) of its total borrowings. During the year, the group increased the frequency of interest payments on a proportion of its hedged debt but has continued to hedge this interest rate risk exposure. Further information on this change is set out in Note 27.

As at reporting date, the group had the following cash and cash equivalents (Note 23), floating-rate borrowings (Note 25) and interest rate swap contracts outstanding (Note 27):

Group

	30 June 2008		30 June 2009	
	Weighted average interest rate %	Balance €'m	Weighted average interest rate %	Balance €'m
Cash and cash equivalents	4.62%	359	**0.72%**	**336**
Floating Rate Notes due 2016	9.86%	(350)	**6.28%**	**(350)**
Floating rate senior PIK notes due 2017	11.86%	(501)	**8.28%**	**(559)**
Bank borrowings (Senior Credit Facility)	6.93%	(3,350)	**3.16%**	**(3,272)**
Senior Preference Shares	4.23%	(72)	**-**	**-**
Other bank borrowings	5.31%	(72)	**1.94%**	**(26)**
Overdraft	7.00%	(6)	**3.63%**	**(2)**
Interest rate swaps (Notional principal amount)		3,000		**3,026**
Net exposure to interest rate risk		(992)		**(847)**

3. Financial risk management - continued

3.1. Market rate risk – continued

Company	**30 June 2008**		**30 June 2009**	
	Weighted average Interest rate	**Balance**	**Weighted average interest rate**	**Balance**
	%	**€'m**	**%**	**€'m**
Cash and cash equivalents	4.62%	1	**0.72%**	**1**
Floating rate senior PIK notes due 2017	11.86%	(501)	**8.28%**	**(559)**
Net exposure to interest rate risk		(500)		**(558)**

The weighted average interest rates in the tables above include the margins applicable to the relevant debt.

Interest rate sensitivity analysis
Based on the financial instruments held at the balance sheet date, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the group and company (loss)/profit after tax and the equity cash flow hedge reserve for the year would have been higher or lower by the amounts set out in the table below:

Group – after tax

	Increase by 100 bps		**Decrease by 100 bps**	
	30 June 2008	**30 June 2009**	**30 June 2008**	**30 June 2009**
	€'m	**€'m**	**€'m**	**€'m**
(Loss)/profit for the year - interest	(9)	**(8)**	9	**8**
(Loss)/profit for the year - hedge ineffectiveness	-	**39**	-	**(27)**
Equity – cash flow hedge reserve	53	**30**	(62)	**(44)**

Company – after tax

	Increase by 100 bps		**Decrease by 100 bps**	
	30 June 2008	**30 June 2009**	**30 June 2008**	**30 June 2009**
	€'m	**€'m**	**€'m**	**€'m**
(Loss)/profit for the year – interest	(5)	**(6)**	5	**6**

A sensitivity of 100 basis points has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

It should be noted that the results above reflect the net impact on a hedged basis. The interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. If interest rates were 100 basis points higher, finance costs would be impacted by the interest expense on the floating rate borrowings. However, the resulting change in fair value of the derivatives which are not designated or do not qualify for hedge accounting and the ineffective portion of designated derivatives is also recorded in profit or loss, as an unrealised gain. The unrealised gain/loss in profit or loss arising from the change in fair value of the derivatives will ultimately reverse. The effective portion of the change in the fair value of the designated derivatives is initially recorded in equity.

Currency risk
The group conducts its business primarily in Ireland and, therefore, operating and investing cash flows are substantially denominated in euro. A limited level of foreign exchange risk arises in relation to a foreign subsidiary, capital expenditure denominated in foreign currencies and foreign exchange settlements with international third party telecommunications carriers.

Given the limited level of risk the group does not generally hedge its foreign exchange risk arising on transactions and capital expenditure denominated in foreign currencies.

Price risk
The group is exposed to limited price risk because of investments held by the group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss (see Note 21). The group is also exposed to price risk on the assets held by the group's defined benefit pension scheme (see Note 37).

At 30 June 2009, if prices had been 10% higher/lower the group's post-tax profit for the year as a result of gains/losses on financial assets classified as fair value through profit or loss would have been €0.7 million higher/€0.7 million lower (30 June 2008: €3 million higher/€3 million lower).

3. Financial risk management - continued

3.2. Credit risk
Credit risk refers to the loss that the group would incur if a debtor or other counter-party fails to perform under its contractual obligations. Credit risks are mainly related to counter-party risks associated with cash and cash equivalents, restricted cash, trade and other debtors, amounts owed by related companies, lease receivables and derivative contracts.

Company
The amounts owed by group undertakings are due from other companies within the group. The recoverability of amounts due is separately assessed (see Note 20).

Group
The group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland. Exposure to credit loss and subscriber fraud is actively monitored on a regular basis, including some processing of current credit information on subscribers from third-party sources (subject to availability) and, where appropriate, a provision for doubtful debtors is made. The credit risk and net exposure on key accounts, particularly international carriers, is monitored separately through continual risk assessments of customers with material balances. In terms of the overall exposure from credit risk, the receivables from these counter-parties are not so extensive as to be considered significant concentrations of credit risk.

Ageing of trade receivables
The ageing analysis of trade receivables is set out below.

	Past due but not impaired						
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	More than 90 days	**Neither impaired nor past due**	**Impaired**	**Total**
	€'m	**€'m**	**€'m**	**€'m**	**€'m**	**€'m**	**€'m**
Trade receivables							
- at 30 June 2009	**32**	**15**	**5**	**5**	**193**	**44**	**294**
- at 30 June 2008	65	10	7	8	186	35	311

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The group held collateral on trade receivables in the form of cash deposits of €4 million (30 June 2008: €2 million) as security.

The group is exposed to credit risk relating to its cash and cash equivalents. The group treasury policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts with authorised banking counter-parties and with institutions whose long-term Standard & Poor's (S&P) credit rating is "A" or above (or Moody's equivalent rating of "A1"). The group has policies that limit the amount of credit exposure to any one financial institution. The group has not experienced any losses on such accounts. Transactions involving derivative contracts are managed by the group's treasury function. The group's dealings in derivatives are restricted to highly rated financial institutions.

The credit quality of cash and cash equivalents, derivative financial instruments and lease receivables can be assessed by reference to S&P credit ratings in the table below.

	Group		**Company**	
	30 June 2008	**30 June 2009**	**30 June 2008**	**30 June 2009**
	€'m	**€'m**	**€'m**	**€'m**
Cash and cash equivalents				
AAA	-	**83**	-	**-**
AA+	96	**-**	-	**-**
AA	143	**44**	1	**-**
AA-	-	**64**	-	**1**
A+	120	**54**	-	**-**
A	-	**91**	-	**-**
	359	**336**	1	**1**
Derivative financial instruments				
AA	54	**-**	**-**	-
AA-	17	**-**	**-**	-
A	18	**-**	**-**	-
	89	**-**	**-**	-
Lease receivables				
A	49	**25**	**-**	**-**

3. Financial risk management - continued

3.3. Liquidity risk
The objective of liquidity management is to ensure the availability of sufficient funds to meet the group's requirements and to repay maturing debt and other liabilities as they fall due. This objective is met by monitoring and controlling potential cash flows and maintaining an appropriate buffer of readily realisable assets and standby credit facilities.

The ERCIPE Group has an excess of current liabilities over current assets of €252 million at 30 June 2009 (30 June 2008: €244 million). However, trade and other payables include deferred revenue of €156 million at 30 June 2009 (30 June 2008: €174 million). There is no cash outflow requirement associated with deferred revenue. The ERCIPE Group has undrawn borrowing facilities of €110 million at 30 June 2009.

Maturities of financial liabilities
The table below analyses the group's and company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the interest rates effective at the balance sheet date and before taking account of the impact of interest rate swaps.

Group

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
Borrowings					
- At 30 June 2009	**117**	**56**	**342**	**3,724**	**4,239**
- At 30 June 2008	270	87	353	3,699	4,409
Interest on borrowings					
- At 30 June 2009	**140**	**147**	**424**	**722**	**1,433**
- At 30 June 2008	274	265	751	1,538	2,828
Derivative financial instruments					
- At 30 June 2009	**89**	**70**	**28**	**-**	**187**
- At 30 June 2008	-	-	-	-	-
Trade and other payables					
- At 30 June 2009	**555**	**4**	**11**	**58**	**628**
- At 30 June 2008	642	-	11	60	713
TIS annuity scheme					
- At 30 June 2009	**20**	**18**	**39**	**29**	**106**
- At 30 June 2008	24	21	46	37	128

Company

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
Borrowings					
- At 30 June 2009	**-**	**-**	**-**	**559**	**559**
- At 30 June 2008	-	-	-	501	501
Interest on borrowings					
- At 30 June 2009	**-**	**-**	**-**	**567**	**567**
- At 30 June 2008	-	-	-	1,047	1,047
Trade and other payables					
- At 30 June 2009	**7**	**-**	**-**	**-**	**7**
- At 30 June 2008	9	-	-	-	9

3. Financial risk management - continued

3.4. Capital risk management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The capital structure of the group consists of borrowings as set out above, and equity comprising issued capital, reserves and retained loss as listed in Note 32.

The capital structure includes a significant level of borrowings. The borrowing arrangements include certain financial covenants customary for debt of this magnitude, which includes amongst other things:

- maintenance of a minimum ratio of cash flow to net debt service;
- maintenance of a minimum ratio of consolidated EBITDA (as defined) to consolidated net finance charges;
- maintenance of a maximum ratio of senior consolidated total net debt on specified dates to consolidated EBITDA;
- maintenance of a maximum ratio of consolidated total net debt on specified dates to consolidated EBITDA;
- ensuring that annual aggregate capital expenditure does not exceed certain maximum amounts; and
- ensuring that a certain minimum proportion of the assets, turnover and EBITDA of the group is contributed by guarantor companies.

A failure to comply with these financial covenants and other obligations could cause an event of default under the borrowing agreements. If an event of default occurs, our lenders could elect to declare all amounts outstanding and accrued and unpaid interest to be immediately due, and the lenders could then foreclose upon the assets securing the indebtedness.

3.5. Fair value estimation
The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar instruments.

The fair values of short-term deposits, floating-rate loans and overdrafts approximate to their carrying amounts.

3.6. Hedging instruments
As at the reporting date, the group had entered into a number of swaps to cover interest rate exposure on various debt obligations. In accordance with IAS 39: "Financial Instruments – Recognition and Measurement", some of these instruments have been designated as cash flow hedges and movements in the effective portion of the fair value of the hedges have been taken through the cash flow hedge reserve.

Derivatives designated and eligible for hedge accounting
The details of the effective interest rate and maturity of these designated and effective hedging instruments is:

				Maturity date					
Group	**Principal value**	**Fair Value**	**Weighted average Interest rate**	**Within 1 Year**	**Between 1 & 2 Years**	**Between 2 & 3 Years**	**Between 3 & 4 Years**	**Between 4 & 5 Years**	**After 5 Years**
	€'m	**€'m**	**%**	**€'m**	**€'m**	**€'m**	**€'m**	**€'m**	**€'m**
Designated active interest rate swap									
- at 30 June 2009	**500**	**(34)**	**4.37%**	**-**	**-**	**-**	**500**	**-**	**-**
- at 30 June 2008	3,000	77	4.05%	-	750	-	1,250	500	500
Designated forward starting interest rate swap									
- at 30 June 2009	**1,000**	**(36)**	**3.58%**	**-**	**-**	**-**	**500**	**500**	**-**
- at 30 June 2008	500	12	4.19%	-	-	-	-	-	500

3. Financial risk management - continued

3.6. Hedging instruments - continued
The effective interest rates in the table above are based on the effective interest rates in the derivative financial instruments designated for cash flow hedging. This does not equate to the effective interest rate on the underlying debt as it excludes the margin over Euribor, payable in respect of the various tranches of the group's Senior Credit Facility and other debt. The margins on the senior credit and other facilities are from 1% to 7% over Euribor.

The group does not use derivatives for trading or speculative purposes but has a number of derivatives which are not designated or are ineligible for hedge accounting as detailed below.

Derivatives not designated or ineligible for hedge accounting
As at the reporting date, the group had entered into a number of other swaps to cover interest rate exposure on various debt obligations. These instruments have not been designated as cash flow hedges or are ineligible for hedge accounting under IAS 39 and movements in the fair value of these derivatives have been taken through the income statement. The details of the effective interest rate and maturity of these instruments is:

Group	Principal value	Fair Value	Weighted average Interest rate	Maturity date					
				Within 1 Year	Between 1 & 2 Years	Between 2 & 3 Years	Between 3 & 4 Years	Between 4 & 5 Years	After 5 Years
	€'m	€'m	%	€'m	€'m	€'m	€'m	€'m	€'m
Undesignated active interest rate swap									
- at 30 June 2009	**2,500**	**(62)**	**3.73%**	**1,250**	**-**	**1,250**	**-**	**-**	**-**
- at 30 June 2008	-	-	-	-	-	-	-	-	-

During the year, the group increased the frequency of interest payments on a proportion of its hedged borrowings and entered into a concurrent interest rate basis swaps with the objective of reducing net interest costs without changing underlying risk exposures. The mark to market fair value of these basis swaps is a liability of €6 million at 30 June 2009. The notional principal amount of active basis swaps is €2,950 million, with a further €2,800 million in respect of a forward starting interest rate basis swap. The forward starting basis swap commences upon maturity of the active basis swaps on 30 September 2009. These basis swaps have not been designated as cash flow hedges under IAS 39.

The group's Joint Venture, Tetra, has also hedged its floating rate borrowings (excluding margin), using an interest rate swap with a fixed interest rate of 4.47%. The group has proportionately consolidated 56% of the net assets of this entity. The fair value of the Tetra derivative in the accounts of the group is a liability of €3 million (30 June 2008: €Nil). The group's share of the notional principal amount of this derivative is €26 million at 30 June 2009 (30 June 2008: €Nil). The notional principal amount varies throughout the life of this swap. This derivative has not been designated as a cash flow hedge under IAS 39.

Further information on the group's use of interest rate swaps is included in Note 27.

4. Critical Accounting Judgements and Estimates

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1. Making appropriate assumptions on asset impairment reviews

The group undertakes a review for impairment annually or if events or circumstances indicate that the carrying amount may not be recoverable. Factors which the group consider could trigger an impairment review include, but are not limited to the following: (1) significant negative industry or economic trends, (2) current, historical or projected losses that demonstrate continuing losses, (3) results of fair market valuations performed or (4) changes in key assumptions underpinning the value in use calculation. These impairment charges under IFRS are based upon the excess of the carrying amount of the asset over its recoverable amount, which is the higher of the net amount at which the asset could be disposed of and its value in use, based on discounted future cash flows. When an asset is not recoverable in full, impairment is measured as the excess of carrying value over the recoverable amount of the long-lived asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value. Changes in these estimates would directly affect the amount of the impairment charge recorded. Details of the assumptions used in the impairment test as of 30 June 2009 are set out in Note 13.

The weighted average cost of capital (“WACC”) is impacted by interest rates and market risk premiums, estimated for companies in the telecommunications sector. Given the recent market volatility there is a risk that the WACC could increase significantly in future periods above the estimated WACC as of 30 June 2009. There is also a risk of deterioration in the budgeted future cash flows as a result of the current economic environment.

Any significant deterioration in the budgeted future cash flows or changes in WACC could result in a further impairment of our goodwill which could have a further negative effect on operating profits and assets. Future cash flows would not be impacted by any impairment provision.

4.2. Establishing lives for amortisation purposes of intangible assets

The group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on amortisation charges for the period. Detail of the useful lives is included in Note 2.4 and the related intangible assets are set out in Note 14.

4.3. Establishing lives for depreciation purposes of property, plant and equipment

Long-lived assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned. Changes in asset lives can have a significant impact on depreciation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis as asset lives are individually determined and there are a significant number of asset lives in use. Detail of the useful lives is included in Note 2.11 and the related assets are set out in Note 15. The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted.

4.4. Making appropriate long-term assumptions in calculating pension liabilities, surpluses and costs

The group operates funded defined benefit schemes, which are independent of the group’s finances, for the majority of employees. Valuations of the main scheme are carried out by the scheme actuaries. The rates of contribution payable and the pension cost are determined on the advice of the actuaries and the unrecognised pension surplus or deficit at the date of the last valuation. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, the return that the pension fund assets will generate in the period before they are used to fund the pension payments and the discount rate at which the future pension payments are valued. The group uses estimates for all of these factors in determining the pension costs, surpluses arising on acquisitions and liabilities reflected in the financial statements. Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. The effect of changes in assumptions on the pension scheme valuation is contained in Note 37.

As a result of the significant level of volatility in financial markets, the market values of the pension scheme assets have fluctuated significantly over the last number of years and since the year ended 30 June 2009. As the group applies the corridor approach under IAS 19 (see Note 37) these movements do not directly impact on the amounts recorded as pension liabilities in our balance sheet but will impact on the income statement charges and the amounts recorded in the balance sheet in future periods.

4. Critical Accounting Judgements and Estimates - continued

4.5. Providing for doubtful debts
The group provides services to individuals and business customers on credit terms. The group expects that some debts due will not be paid as a result of the default of a small number of customers. The group uses estimates based on historical and current experience in determining the level of debts which the group believes will not be collected. These estimates include such factors as the current state of the Irish economy and particular industry issues. Further worsening in the Irish economy or negative industry trends could require an increase in the estimated level of debts that will not be collected, which would negatively impact the operating results. The level of provision required is reviewed on an ongoing basis.

4.6. Providing for litigation, contingencies and other constructive obligations
The group is a party to lawsuits, claims, investigations and proceedings, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business. The group reviews the current status of any pending or threatened proceedings with the group's legal counsel on a regular basis. In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred; (2) the degree of probability of an unfavourable outcome; and (3) the ability to make a reasonable estimate of the amount of loss. Upon considering the above and other known relevant facts and circumstances, the group recognises any loss that is considered probable and reasonably quantifiable as of the balance sheet date.

In addition, the group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory authorities. These provisions are recognised when the group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

4.7. Onerous contacts
The group has onerous contracts associated with vacant offices and leasehold properties and disposals relating to relocations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflect current economic conditions and include judgements in respect of sub lease income on certain properties. If the group was unable to sublet all of its properties for the duration of the leases an additional provision of €19 million would be required in the financial statements.

4.8. Providing for restructuring costs
On 11 May 2009, eircom reached an accord with unions representing our employees which set a target for a total headcount reduction in the period to 30 June 2011 of 1,200 full-time equivalent labour resources, which includes a reduction in the number of contractors. The group has included a provision to reflect the current estimate of the staff exit costs associated with this plan. The provision includes the estimated benefit payable to staff availing of the scheme and the associated pension impact. The timing of individual exits also affects the estimated costs. As this is a voluntary scheme, the timing of individual exits and individual staff participating in the scheme requires estimation. A change in those estimates in future years will directly affect the income statement.

4.9. Asset retirement obligations
The group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. Significant judgement is required in determining the cash flows associated with these retirement obligations as some of the cash flows are anticipated up to 16 years in the future and no significant retirement or decommissioning costs have been incurred to date.

4.10. Assessing the level of interconnect income from and payments to other telecommunications operators
The group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions. Changes in the estimates directly affect revenue, operating costs and profit.

4.11. Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses discounted cash flow analysis and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

5. Business combinations

30 June 2009
There were no acquisitions in the year ended 30 June 2009.

30 June 2008
There were no acquisitions in the year ended 30 June 2008.

30 June 2007
On 6 April 2006, the group acquired 27.1% of the ordinary share capital of eircom Group Limited (formerly eircom Group plc) and eircom Group Limited became an associate of the group from that date. On 18 August 2006, the group acquired the remaining shares of eircom Group Limited and the group held 100% of the share capital of eircom Group Limited from that date. eircom Group Limited, a company incorporated in England, is the holding company of eircom Limited, a telecommunications group operating in Ireland. The fair values of the assets and liabilities acquired were determined in accordance with IFRS 3, "Business Combinations".

If the acquisition had occurred on 1 July 2006, revenue would have been €1,974 million (unaudited), and loss before taxation would have been €166 million (unaudited) for the year ended 30 June 2007. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the depreciation, additional amortisation and finance costs that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2006 and that the group debt was in place from that date.

Details of net assets acquired and goodwill are as follows:

	€'m
Purchase consideration:	
- Shares transferred in April 2006	578
- Cash paid in August 2006	1,740
- Direct costs relating to the acquisition	85
Total purchase consideration	**2,403**
Fair value of net assets acquired	-
Goodwill (Note 13)	**2,403**

The goodwill is attributable to eircom's market position and profitability in the Irish telecommunications industry. eircom has a significant infrastructure base in Ireland and operates the largest fixed line business and the third largest mobile business in Ireland (Meteor).

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Amount €'m	Fair Value adjustments €'m	Fair Value €'m
Cash and cash equivalents	331	-	331
Property, plant and equipment	2,042	201	2,243
Intangible assets	129	577	706
Other non-current assets	288	(137)	151
Current assets	455	-	455
Total assets	3,245	641	3,886
Current liabilities - Borrowings	(2,439)	-	(2,439)
Non-current liabilities	(484)	(208)	(692)
Other current liabilities	(775)	20	(755)
Total liabilities	(3,698)	(188)	(3,886)
Net assets acquired	**(453)**	**453**	**-**

The principal fair value adjustment relate to the recognition of fixed line intangible assets (€526 million), an increase in mobile intangible assets (€51 million), an increase in the value of property, plant and equipment (€201 million), the recognition of a defined benefit pension liability (€159 million) and the reversal of a pension asset (€137 million) that was recognised in the books of the acquiree, deferred taxation liabilities to reflect the deferred tax impact of changes in the fair value of other asset and liabilities; and other assets and liabilities to reflect differences between the carrying values recorded by eircom Group and the fair value of the underlying assets and liabilities.

5. Business combinations - continued

	€'m
Purchase consideration settled in cash	1,799
Cash and cash equivalents in subsidiary acquired	(331)
Cash outflow on acquisition	**1,468**

The acquisition of eircom Group Limited was completed by the ERCIPE group in two steps with an initial acquisition on 6 April 2006 with the remaining ordinary shares being acquired on 18 August 2006. In accordance with IFRS 3, "Business Combinations", goodwill was calculated at each acquisition date. The fair values presented in the table above represent the fair values at 18 August 2006. A Revaluation Reserve of €3 million was recognised in equity to reflect the group's share of the increase in the underlying fair value of the acquired company's Balance Sheet between the date of the initial investment, on 6 April 2006, and the date of assuming control on 18 August 2006. All of the amounts included in the income statement reflect the acquisition of eircom Group.

6. Segment information

Primary reporting format – business segments
The group provides communications services, principally in Ireland. The group is organised into two main business segments fixed line and mobile.

The segment results for the year ended 30 June 2009 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	**1,558**	**496**	**(57)**	**1,997**
Operating loss/Segment result	**(189)**	**(297)**	**-**	**(486)**
Finance costs				**(389)**
Finance income				**11**
Share of profit in associates				**2**
Loss before income tax				**(862)**
Income tax credit				**11**
Loss for the financial year				**(851)**

The segment results (restated) for the year ended 30 June 2008 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,650	482	(71)	2,061
Operating profit/Segment result	436	28	-	464
Finance costs				(333)
Finance income				14
Profit before income tax				145
Income tax charge				(28)
Profit for the financial year				117

The segment results for the period ended 30 June 2007 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,418	360	(57)	1,721
Operating profit/(loss)/Segment result	67	(7)	-	60
Finance costs				(258)
Finance income				17
Share of profit in associates				13
Loss before income tax				(168)
Income tax credit				9
Loss for the financial period				(159)

Revenue and operating costs for certain activities have been reclassified from the Fixed Line to Mobile and the prior year comparatives have been restated to reflect this change.

6. Segment information - continued

Other segment items included in the income statement are as follows:

	Period ended 30 June 2007			Year ended 30 June 2008			Year ended 30 June 2009		
	Fixed line €'m	Mobile €'m	Group €'m	Fixed line €'m	Mobile €'m	Group €'m	Fixed line €'m	Mobile €'m	Group €'m
Amortisation (Note 14)	42	28	70	51	30	81	**47**	**37**	**84**
Depreciation (Note 15(a))	244	36	280	264	54	318	**266**	**67**	**333**
Restructuring and other exceptional costs (Note 8)	170	-	170	-	-	-	**58**	**2**	**60**
Impairment of inventories (Note 19)	-	1	1	-	1	1	**2**	**-**	**2**
Impairment of trade receivables (Note 20)	6	4	10	17	1	18	**15**	**3**	**18**
Reversal of trade receivable impairments (Note 20)	-	-	-	(1)	-	(1)	**(1)**	**-**	**(1)**
Net construction income (Note 9)	(19)	-	(19)	(37)	-	(37)	**(6)**	**-**	**(6)**
Goodwill impairment (Note 13)	-	-	-	-	-	-	**405**	**315**	**720**

The segment assets and liabilities and capital expenditure are as follows:

	30 June 2009			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	**4,271**	**863**	**49**	**5,183**
Liabilities	**959**	**188**	**4,529**	**5,676**
Capital expenditure:				
Intangible assets (Note 14)	**22**	**51**	-	**73**
Property, plant and equipment (Note 15)	**232**	**45**	-	**277**

	30 June 2008			
	Fixed line €'m	Mobile €'m	Unallocated €'m	Group €'m
Assets	4,951	1,184	189	6,324
Liabilities	1,046	194	4,612	5,852
Capital expenditure:				
Intangible assets (Note 14)	27	33	-	60
Property, plant and equipment (Note 15)	239	67	-	306

Segment assets consist primarily of property, plant and equipment, goodwill and other intangible assets, inventories, receivables and operating cash. They exclude deferred taxation, investments, other assets, financial assets at fair value through profit or loss and derivatives designated as hedges of borrowings.

Segment liabilities comprise operating liabilities and provisions for liabilities and other charges. They exclude items such as taxation, corporate borrowings and derivatives.

Capital expenditure comprises additions to intangible assets (Note 14) and property, plant and equipment (Note 15).

6. Segment information - continued

Secondary reporting format – geographical segments
The group's fixed line business segment operates in two geographical areas, Ireland and the United Kingdom. The United Kingdom does not constitute a separately reportable segment as it represents less than 10% of fixed line turnover and profit or loss and its assets are less than 10% of the total assets.

7. Operating costs

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Staff costs:			
Wages and salaries	393	436	**409**
Social welfare costs	19	21	**20**
Pension costs – defined contribution plans (Note 37)	5	6	**6**
Pension costs – defined benefit plans (Note 37)	19	(26)	**7**
	436	437	**442**
Staff costs capitalised	(65)	(76)	**(79)**
Net staff costs included in operating costs (a)	371	361	**363**
Other operating costs:			
Amounts paid and payable to telecommunications operators	341	374	**353**
Purchase of goods for resale, commission and related costs	133	156	**149**
Materials and services	45	45	**52**
Other network costs	28	31	**29**
Accommodation	65	77	**95**
Sales and marketing	94	99	**98**
Transport and travel	20	22	**19**
IT costs	19	23	**23**
Provision for impaired receivables	10	17	**17**
Other costs	34	108	**97**
Total other operating costs	789	952	**932**
Operating costs excluding amortisation, depreciation, goodwill impairment, restructuring and other exceptional costs	1,160	1,313	**1,295**
Amortisation (Note 14)	70	81	**84**
Depreciation (Note 15)	280	318	**333**
Goodwill impairment (Note 13)	-	-	**720**
Restructuring and other exceptional costs (Note 8)	170	-	**60**
Total operating costs	1,680	1,712	**2,492**
Net construction income (Note 9)	(19)	(37)	**(6)**
Profit on disposal of property and investments (Note 10)	-	(78)	**(3)**
Total operating costs (net)	1,661	1,597	**2,483**

(a) Operating costs are stated after charging:

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Total staff costs (including restructuring costs)	541	361	**390**
Research costs	-	1	**-**
Hire of plant and machinery	5	5	**4**
Other operating lease rentals	33	41	**55**

7. Operating costs - continued

(b) Services provided by the group's auditor and network firms
The group obtained the following services from the group's auditor and network firms at costs as detailed below:

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Audit services			
Statutory audit	1.2	1.2	**1.1**
Other audit related services (including non-statutory audits)	1.6	0.5	**0.6**
Audit related regulatory reporting	1.3	1.3	**1.2**
	4.1	3.0	**2.9**
Other services	-	0.3	**0.7**
Tax advisory services	0.2	-	**-**
Total services	4.3	3.3	**3.6**

Included above are fees paid to the group's auditor in respect of non-statutory audit services of €1.8 million (2008: €1.8 million, 2007: €2.9 million).

Total services, included in the table above for the period ended 30 June 2007, in the amount of €1 million have not been included in operating costs as they relate to audit related and other services provided by the auditors in respect of the group's acquisition of eircom Group. The costs associated with the acquisition of eircom Group have been capitalised thereby increasing goodwill in the consolidated balance sheet.

(c) Directors

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Emoluments			
- for services as Directors	0.2	0.2	**0.2**
- for other services	0.3	1.0	**0.3**
- pension contributions	0.1	0.3	**0.1**
	0.6	1.5	**0.6**

8. Restructuring and other exceptional costs

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Restructuring programme costs	157	-	**27**
Other restructuring costs	13	-	**-**
Impairment of surplus properties (Note 15)	-	-	**17**
Other exceptional costs	-	-	**16**
	170	-	**60**

Restructuring programme costs
In May 2007, the group announced its intention to commence a restructuring programme, which sought a reduction in staff numbers of c.900 over the following three years, with a substantial portion of the reduction to take place within the first year. In the period ended 30 June 2007, the total restructuring costs included a charge of €157 million in respect of this scheme.

During the year ended 30 June 2008, €88 million of this provision was utilised in respect of staff exits during the year and a further €8 million was utilised in respect of pension costs directly associated with restructuring.

On 11 May 2009, eircom reached an accord with unions representing our employees which set a target for a total headcount reduction in the period to 30 June 2011 of 1,200 full-time equivalent labour resources, which includes a reduction in the number of contractors. The group has a constructive obligation in respect of the remaining costs of this staff restructuring programme. The amount of the provision is based on the group's past experience of restructuring, staff discussions and the experience gained in respect of the employees who have left the group over the last two years. In the year ended 30 June 2009, the group made a further provision of €27 million to reflect the additional estimated costs associated with the new restructuring plan (Note 29).

During the year ended 30 June 2009, a further €32 million of the restructuring provision was utilised in respect of staff exits during the year and a further €6 million was utilised in respect of pension costs directly associated with restructuring.

8. Restructuring and other exceptional costs - continued

Other restructuring costs
Other restructuring costs of €13 million in relation to voluntary leaving programmes and once-off termination payments to certain key management and other personnel were incurred in the period ended 30 June 2007.

Impairment of surplus properties
The group incurred impairment charges of €17 million in respect of a small number of surplus properties, which have been identified for future disposal. The charge reflects the decline in the fair value of these properties at 30 June 2009.

Other exceptional costs
The group has a significant property portfolio comprising of freehold and leasehold properties to accommodate the group's network and office accommodation required for its staff. As part of the group's overall portfolio, the group also leases a number of properties from third parties under long-term lease arrangements. Where the group no longer requires these properties, the group sub-leases the properties to third parties or disposes of properties no longer required. As a result of the rationalisation of the group's accommodation requirements there are a number of leased properties which are vacant or where rental contracts with sub-lease tenants are not expected to be sufficient to meet all of the lease obligations. Provision has been made in respect of the estimated net cash outflow required to settle the group's obligation under these leases.

The group has included an exceptional charge of €26 million for onerous contracts in the year ended 30 June 2009 reflecting an increase in the onerous contract provision of €29 million, offset by a once-off receipt of €3 million.

The group finalised the agreement of management fees payable to ERCIE for the three years ended 30 June 2009 which included a saving of €10 million in respect of management fees accrued as payable in prior years.

9. Net construction income

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Contract revenue	44	84	**12**
Contract costs	(25)	(47)	**(6)**
Net construction income	19	37	**6**

During the period ended 30 June 2007 the group sold land to investors. The investors outsourced the construction of a new development on this land to the group's property development subsidiary on a fixed price contract basis.

10. Profit on disposal of property and investments

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Profit on disposal of property and investments	-	78	**3**
	-	78	**3**

During the year ended 30 June 2008, the group sold its shares in its mast business to Towercom Limited for €155 million (see Note 33(b)) and Note 39.

During the year ended 30 June 2009, the group sold a number of properties for €13 million (see Note 33(b)).

11. Finance costs - net

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
(a) Finance costs:			
Interest payable on bank loans and other debt	246	308	**287**
Reversal of prior year accrual no longer required	-	-	**(10)**
Amortisation of issue costs of bank loan and other debt	11	14	**13**
Dividends payable on preference shares	7	6	**2**
Unwinding of discount	2	4	**4**
Fair value losses on financial asset at fair value through profit or loss	-	10	**4**
Losses on liability associated with temporary income stream annuity ("TIS")	-	2	**13**
Fair value losses on derivatives not qualifying for hedge accounting	-	-	**83**
Capitalised interest on property, plant and equipment and intangible assets	(8)	(11)	**(7)**
	258	333	**389**
(b) Finance income:			
Interest income	(9)	(14)	**(11)**
Fair value gain on financial asset at fair value through profit or loss	(6)	-	**-**
Gain on liability associated with temporary income stream annuity ("TIS")	(2)	-	**-**
	(17)	(14)	**(11)**
Finance costs – net	241	319	**378**

The rate applied to capitalised interest is 6.6% (2008: 7.1%, 2007: 6.4%).

12. Income tax expense

(a) **Recognised in the income statement**

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Current tax expense			
Current financial year	31	39	**18**
Adjustments for prior periods	-	(3)	**(19)**
	31	36	**(1)**
Deferred tax expense			
Origination and reversal of temporary difference	(40)	(10)	**(9)**
Adjustments for prior periods	-	2	**(1)**
Total income tax (credit)/charge in income statement	(9)	28	**(11)**

(b) **Reconciliation of effective tax rate**

The tax (credit)/charge on the group's (loss)/profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (loss)/profits of the consolidated companies as follows: -

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
(Loss)/profit before tax	(168)	145	**(862)**
Tax calculated at Irish tax rates	(21)	18	**(108)**
Effects of:-			
Goodwill impairment – non deductible	-	-	**90**
Other non deductible expenses	11	20	**16**
Effect of changes in capital gains tax rates	-	-	**10**
Income not subject to taxation	-	(10)	**-**
Tax losses utilised	-	(2)	**-**
Income taxable at higher rate	1	3	**1**
Adjustments in respect of prior periods	-	(1)	**(20)**
Tax (credit)/charge for financial year (Note 12(a))	(9)	28	**(11)**

The weighted average applicable tax rate was 12.5% (2008: 12.5%, 2007: 12.5%).

13. Goodwill

	30 June 2008 €'m	30 June 2009 €'m
Opening balance	2,403	**2,342**
Disposals (Note 33(b))	(61)	**-**
At end of financial year	2,342	**2,342**
Accumulated impairments	-	**(720)**
At end of financial year	-	**(720)**
Net book value at end of financial year	2,342	**1,622**

Goodwill is not subject to amortisation. Instead, goodwill is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying value might be impaired, and is carried at cost less accumulated impairment losses.

The impairment losses recognised in the consolidated income statement, as a separate line item within operating profit, in respect of goodwill are as follows:

	30 June 2008 €'m	30 June 2009 €'m
Fixed Line	-	**405**
Mobile	-	**315**
	-	**720**

Impairment test of goodwill and other indefinite life assets

The goodwill arising on the acquisition of eircom Group has been allocated to the group's CGUs identified according to business segments. The group has two CGUs, fixed line and mobile. A segment level summary of goodwill and other indefinite lived assets is presented below.

	30 June 2008 €'m	30 June 2009 €'m
Goodwill:		
- Fixed line	1,631	1,631
- Accumulated impairments	-	(405)
Fixed line goodwill	1,631	**1,226**
Fixed line trademark	262	**262**
Fixed line goodwill and other indefinite lived assets	1,893	**1,488**
Goodwill:		
- Mobile	711	711
- Accumulated impairments	-	(315)
Mobile goodwill	711	**396**
Goodwill	2,342	**1,622**
Total goodwill and other indefinite lived assets	2,604	**1,884**

The value of indefinite life assets was tested as at 30 June 2009, after business planning had been completed. The impairment test has been performed at an individual CGU level.

Impairment testing methodology

The recoverable amount of a CGU is determined on the basis of value-in-use, using the discounted cash flow (DCF) method. These calculations use post-tax cash flow projections based on business plans approved by the Board of Directors covering a two-year period. The forecast operating cash flows for the individual CGUs include the benefits of restructuring, where the group is committed to the restructuring as at 30 June 2009 and provision for the related restructuring costs is included at 30 June 2009. Cash flows beyond the two-year period are extrapolated using the estimated long-term growth rates stated below. The cash flows are discounted using the discount rates stated below.

13. Goodwill - continued

Key assumptions
The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of value in use include management's estimates of future operating cash-flows, replacement capital expenditure requirements, tax considerations, future retirement benefits cash-flows, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were evaluated with regard to external information on comparable companies in similar markets.

The group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy.

The key assumptions used for value-in-use calculations are as follows:

	30 June 2009	
	Fixed line	**Mobile**
	%	**%**
Long-term growth rates	**0.25%**	**0.75%**
Discount rates (Pre-tax)	**9.68%**	**10.28%**
Discount rates (Post-tax)	**8.5%**	**9.0%**

	30 June 2008	
	Fixed line	**Mobile**
	%	**%**
Long-term growth rates	0.5%	2%
Discount rates (Post-tax)	8.64%	9.2%

Long Term Growth Rates
The long-term growth rates are determined based on the long-term historical growth rates of the sectors in which the CGU operates, and reflect an assessment of the long-term growth prospects of the sector. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates
The discount rates used are post tax and reflect specific risks relating to the relevant CGUs. The discount rate applied to the cash flows of the group's segments are based on the risk free rate for ten year plus Irish government bonds. In estimating the discount rate, inputs required are the equity market risk premium (that is the excess return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific CGU's operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the Group's CGUs determined using an average of the betas of comparable companies.

Impairment Testing Results
At 31 December 2008, indicators of impairment existed which required the group to test its indefinite life assets, including goodwill, for impairment. The goodwill in relation to the group's fixed line and mobile operations was impaired by €405 million and €315 million respectively. The impairment charge in the fixed line business reflects the cash outflows required to fund the group's unrecognised actuarial losses in respect of the group's pension deficit at 31 December 2008 and the deterioration in the Irish economic environment and the outlook for the business. The impairment charge in the mobile business reflects the deterioration in the Irish economic environment and the outlook for the business.

A subsequent test was carried out at 30 June 2009. No further impairment was identified. All key assumptions, including the cash flow projections within the business plans used for the impairment testing, were updated from those used at 31 December 2008.

Sensitivity analysis
The results of sensitivity analysis on the key assumptions used in the value in use calculations are detailed below:

The percentages shown in the table below represent the increase or decrease in the individual sensitivity factors that would lead to the recoverable amount equalling the carrying value of the assets.

	30 June 2009	
	Fixed line	**Mobile**
	%	**%**
Discount rate (increase)	**0.3%**	**0.1%**
Long term growth rate (decrease)	**0.3%**	**0.1%**
EBITDA (decrease)	**1.9%**	**0.9%**

Any adverse changes in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised in future periods

14. Other intangible assets

	Computer software	Monitoring contracts	Trademarks	Contracts and related customer relationships	GSM license	3G license	Total
	€'m	€'m	€'m	€'m	€'m	€'m	€'m
Cost							
At 30 June 2007	53	5	304	306	71	90	829
Additions	54	3	-	-	-	3	60
Transfers from PPE	3	-	-	-	-	-	3
At 30 June 2008	**110**	**8**	**304**	**306**	**71**	**93**	**892**
Additions	**70**	**3**	**-**	**-**	**-**	**-**	**73**
At 30 June 2009	**180**	**11**	**304**	**306**	**71**	**93**	**965**
Amortisation							
At 30 June 2007	14	2	3	42	9	-	70
Charge for the financial year	25	2	4	41	9	-	81
Transfers from PPE	1	-	-	-	-	-	1
At 30 June 2008	**40**	**4**	**7**	**83**	**18**	**-**	**152**
Charge for the financial year	**32**	**3**	**4**	**33**	**8**	**4**	**84**
At 30 June 2009	**72**	**7**	**11**	**116**	**26**	**4**	**236**
Net Book Value at 30 June 2009	**108**	**4**	**293**	**190**	**45**	**89**	**729**
Net Book Value at 30 June 2008	70	4	297	223	53	93	740

The group has capitalised interest costs of €1 million (30 June 2008: €3 million) that are directly attributable to qualifying intangible assets. The rate applied to capitalised interest is 6.6% (30 June 2008: 7.1%).

Assets in the course of construction included in other intangibles are €28 million (30 June 2008: €Nil).

Computer software relates to internal and external capitalised software development costs.

Monitoring contracts relates to purchased monitoring contracts in our residential security systems operation.

The carrying value of the fixed line trademark (€262m) asset is considered to have an indefinite life. Consequently, it is not amortised and is instead reviewed for impairment annually as part of the overall impairment test of the relevant cash generating unit. The results of the impairment test performed for the current year is set out in Note 13. An indefinite useful life has been assigned to the fixed line trademark given its high recognition level and the group's intention to continue to support and invest in the trademark.

15. Property, plant and equipment

(a)	Land & Buildings	Network Plant & Equipment	Total
	€'m	€'m	€'m
Cost or Valuation			
At 30 June 2007	578	1,895	2,473
Additions	3	303	306
Transfers to other intangible assets	-	(3)	(3)
Transfers	(6)	6	-
Exchange adjustments	-	(1)	(1)
Disposals/retirements	(9)	(9)	(18)
At 30 June 2008	**566**	**2,191**	**2,757**
Additions	**2**	**275**	**277**
Disposals/retirements	**(13)**	**(10)**	**(23)**
At 30 June 2009	**555**	**2,456**	**3,011**
Accumulated Depreciation			
At 30 June 2007	17	263	280
Charge for financial year	23	295	318
Transfers to other intangible assets	-	(1)	(1)
Transfers	(3)	3	-
Disposals/retirements	(1)	-	(1)
At 30 June 2008	**36**	**560**	**596**
Charge for financial year	**19**	**314**	**333**
Disposals/retirements	**(2)**	**(10)**	**(12)**
Impairment	**17**	**-**	**17**
At 30 June 2009	**70**	**864**	**934**
Total Net Book Value at 30 June 2009	**485**	**1,592**	**2,077**
Total Net Book Value at 30 June 2008	530	1,631	2,161

The group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value. The review for the year ended 30 June 2009 resulted in no material adjustments to asset lives.

The group has capitalised interest costs of €6 million (30 June 2008: €8 million) that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest is 6.6% (30 June 2008: 7.1%).

(b) Analysis of net book value of land and buildings is as follows:-

	30 June 2008 (restated)	30 June 2009
	€'m	€'m
Freehold	366	**329**
Leasehold:		
Over 50 years unexpired	145	**141**
Under 50 years unexpired	19	**15**
	530	**485**

15. Property, plant and equipment - continued

(c) Included in property, plant and equipment is plant and equipment acquired under finance leases as follows:-

	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Cost	9	**7**
Accumulated depreciation	(6)	**(6)**
Net book value	3	**1**
Depreciation charge for the financial year	5	**2**

(d) Assets in course of construction
Included in property, plant and equipment are assets in the course of construction of €103 million (30 June 2008: €168 million).

16. Investments

(a) Investments

	Group		Company	
	30 June 2008 €'m	30 June 2009 €'m	30 June 2008 €'m	30 June 2009 €'m
Shares in group undertakings				
At beginning of financial year – unlisted	-	**-**	863	**863**
Additions	-	**-**	-	**-**
Impairment	-	**-**	-	**(800)**
At end of financial year – unlisted	-	**-**	863	**63**

As set out in Note 13, the directors performed an impairment test as at 31 December 2008 and an impairment charge of €720 million was reflected in this year. As a result the investment in subsidiaries is also considered to be impaired. The investment has been written down to reflect the net assets of ERCIPE's subsidiary undertakings including goodwill as at 30 June 2009.

(b) Investments in associates

	Group		Company	
	30 June 2008 €'m	30 June 2009 €'m	30 June 2008 €'m	30 June 2009 €'m
At beginning of financial year	-	**-**	-	-
Dividend received	-	**(2)**	-	-
Share of profit after tax of associates	-	**2**	-	-
At end of financial year	**-**	**-**	**-**	**-**

The group share of the results of its principal associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	Assets €'m	Liabilities €'m	Revenues €'m	Profit €'m	Interest held %
As at and for the year ended 30 June 2009					
Altion Limited	**-**	**-**	**1**	**1**	**16.8%**
Buy4Now Limited	**-**	**-**	**1**	**1**	**32.2%**
	-	**-**	**2**	**2**	
As at and for the year ended 30 June 2008					
Altion Limited	-	-	1	-	33%
Buy4Now Limited	1	1	1	-	22%
	1	1	2	-	

17. Deferred tax asset

Group
The deferred tax asset is in respect of tax losses for one of our subsidiary undertakings. These losses are available to be carried forward and utilised in full against any taxable profits arising in the subsidiary undertaking only. The directors are satisfied that based on the current performance of our subsidiary undertaking and expected future profitability that it is more likely than not that sufficient taxable profits will arise in the future to utilise these tax losses.

Recognised deferred tax assets
Deferred tax assets attributable to the following:

	Assets 30 June 2008 €'m	Assets 30 June 2009 €'m
Tax loss carry forward	13	**2**
Property, plant and equipment	6	**10**
Provisions	1	**1**
	20	**13**

The movement in deferred tax assets during the financial year is as follows:

	1 July 2008 €'m	Recognised in income (charge)/credit €'m	30 June 2009 €'m
Tax loss carry forward	**13**	**(11)**	**2**
Property, plant and equipment	**6**	**4**	**10**
Provisions	**1**	**-**	**1**
	20	**(7)**	**13**

The movement in deferred tax assets during the previous financial year is as follows:

	1 July 2007 €'m	Recognised in income (charge)/credit €'m	30 June 2008 €'m
Tax loss carry forward	23	(10)	13
Property, plant and equipment	1	5	6
Provisions	-	1	1
	24	(4)	20

18. Other assets

Group	30 June 2008 €'m	30 June 2009 €'m
Non-current assets		
Lease receivable	23	**1**
Deposits and other non-current assets	2	**2**
	25	**3**
Current assets		
Lease receivable	26	**24**
	51	**27**

The group is party to a financing transaction under which lease receivable balances equal lease obligation balances. These are shown gross on the balance sheet. The lease receivable balance is recognised under "other assets" and the liability is recognised under "borrowings".

The maximum exposure to credit risk at the reporting date is the carrying value of lease receivable mentioned above.

The lease receivables do not contain impaired assets.

19. Inventories

Group	30 June 2008 €'m	30 June 2009 €'m
Network development and maintenance stocks	6	**6**
Consumable and other stocks	7	**4**
	13	**10**

The cost of inventories recognised as an expense and included in "operating costs" amounted to €110 million (30 June 2008: €122 million). The net replacement cost of stocks is not expected to be materially different from that shown above.

During the year ended 30 June 2009, the group recognised a loss for impaired inventories of €2 million (30 June 2008: €1 million) and has used provisions for impaired inventories of €Nil (30 June 2008: €Nil). The creation of provisions for impaired inventories have been included in "operating costs" in the income statement.

20. Trade and other receivables

	Group		Company	
	30 June 2008 €'m	30 June 2009 €'m	30 June 2008 €'m	30 June 2009 €'m
Current assets				
Trade receivables	311	**294**	-	-
Less: Provision for impairment of receivables	(31)	**(35)**	-	-
Trade receivables – net	280	**259**	-	-
Prepayments and accrued income	96	**83**	-	-
Construction contract receivable	128	**-**	-	-
Amounts due from group undertakings	4	**11**	-	-
Amounts due from joint venture	1	**1**	-	-
	509	**354**	-	-

Group
The fair values of trade and other receivables approximate to their carrying amounts.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As of 30 June 2009, trade receivables of €44 million (30 June 2008: €35 million) were impaired and provided for on the basis that a portion of these trade receivables is expected to be recovered.

The amount of the provision for impairment of trade receivables was €35 million as of 30 June 2009 (30 June 2008: €31 million). Total additional provisions of €18 million (30 June 2008: €18 million) relate to individual impairments of €7 million (30 June 2008: €8 million) and collective impairments of €11 million (30 June 2008: €10 million). Total reversals of unused provisions of €1 million (30 June 2008: €1 million) relate to individual impairments of €Nil (30 June 2008: €1 million) and collective impairments of €1 million (30 June 2008: €Nil).

The group uses estimates based on historical experience and customer specific information in determining the level of debts which the group believes will not be collected. The estimates include such factors as the current state of the economy and particular industry issues. The level of provision required is reviewed on an ongoing basis.

20. Trade and other receivables - continued

Provision for impairment of trade receivables
The following table shows the movements on the provision for impairment of trade receivables:

	Group		Company	
	30 June 2008	**30 June 2009**	**30 June 2008**	**30 June 2009**
	€'m	**€'m**	**€'m**	**€'m**
Opening balance	34	**31**	-	-
Charged to consolidated income statement:				
- Additional provisions	18	**18**	-	-
- Unused amounts reversed	(1)	**(1)**	-	-
Utilised in the financial year	(20)	**(13)**	-	-
At end of financial year	31	**35**	-	-

There is no significant concentration of credit risk with respect to trade receivables due to the group's customer base being large in number and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

The other assets included within trade and other receivables do not contain impaired assets.

Company
The amounts due from group undertakings are not considered to be either past due or impaired.

21. Financial asset at fair value through profit or loss

	30 June 2008	**30 June 2009**
	€'m	**€'m**
Current assets		
Financial asset associated with temporary income stream annuity ("TIS")	30	**8**

The group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The assets set aside to fund the payment stream at the balance sheet date are recognised under "financial asset at fair value through profit or loss" and the liability is recognised under "provisions for other liabilities and charges".

The maximum exposure to price risk at the reporting date is the fair value of the financial asset in the balance sheet.

22. Restricted cash - Group

The restricted cash balance of €7 million (30 June 2008: €10 million) is in relation to cash lodged as part of performance bonds. The interest earned on these deposits, after deduction of any taxation payable, is due to the ERCIPE Group.

The maximum exposure to credit risk at the reporting date is €7 million (30 June 2008: €10 million).

23. Cash and cash equivalents

	Group		Company	
	30 June 2008	30 June 2009	30 June 2008	30 June 2009
	€'m	€'m	€'m	€'m
Cash at bank and on hand	22	**19**	1	**1**
Short-term bank deposits	337	**317**	-	**-**
Cash and cash equivalents	359	**336**	1	**1**

The book value of cash and cash equivalents approximates their fair value. At 30 June 2009, the effective interest rate on short term bank deposits was 0.72% (30 June 2008: 4.62%). These deposits have an average maturity of 19 days.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	30 June 2008	30 June 2009	30 June 2008	30 June 2009
	€'m	€'m	€'m	€'m
Cash and cash equivalents	359	**336**	1	**1**
Bank overdraft (Note 25)	(6)	**(2)**	-	**-**
Cash, cash equivalents and bank overdrafts	353	**334**	1	**1**

24. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

Assets as per balance sheet	**Derivatives used for hedging**	**Assets at fair value through profit or loss**	**Loans and receivables**	**Total**
	€'m	**€'m**	**€'m**	**€'m**
Lease receivables	**-**	**-**	**25**	**25**
Financial assets at fair value through profit or loss	**-**	**8**	**-**	**8**
Trade receivables	**-**	**-**	**294**	**294**
Amounts due from group undertakings	**-**	**-**	**11**	**11**
Amounts due from joint ventures	**-**	**-**	**1**	**1**
Restricted cash	**-**	**-**	**7**	**7**
Cash and cash equivalents	**-**	**-**	**336**	**336**
At 30 June 2009	**-**	**8**	**674**	**682**
Derivative financial instruments	89	-	-	89
Lease receivables	-	-	49	49
Financial assets at fair value through profit or loss	-	30	-	30
Trade receivables	-	-	311	311
Amounts due from group undertakings	-	-	4	4
Amounts due from joint ventures	-	-	1	1
Restricted cash	-	-	10	10
Cash and cash equivalents	-	-	359	359
At 30 June 2008	89	30	734	853

24. Financial instruments by category - continued

Group

Liabilities as per balance sheet	Derivatives used for hedging €'m	Liabilities at fair value through profit or loss €'m	Loans and other liabilities €'m	Total €'m
Borrowings	**-**	**-**	**4,159**	**4,159**
Derivative financial instruments	**70**	**71**	**-**	**141**
Trade payables	**-**	**-**	**210**	**210**
Interest payable	**-**	**-**	**37**	**37**
Amounts owed to group undertakings	**-**	**-**	**3**	**3**
Other tax and social security payable	**-**	**-**	**43**	**43**
Accruals	**-**	**-**	**315**	**315**
TIS Liabilities	**-**	**-**	**95**	**95**
At 30 June 2009	**70**	**71**	**4,862**	**5,003**
Borrowings	-	-	4,315	4,315
Trade payables	-	-	157	157
Interest payable	-	-	66	66
Amounts owed to group undertakings	-	-	18	18
Other tax and social security payable	-	-	52	52
Accruals	-	-	399	399
TIS Liabilities	-	-	103	103
At 30 June 2008	-	-	5,110	5,110

Company

Assets as per balance sheet	Loans and receivables €'m	Total €'m
Cash and cash equivalents	**1**	**1**
At 30 June 2009	**1**	**1**
Cash and cash equivalents	1	1
At 30 June 2008	1	1

Liabilities as per balance sheet	Loans and other liabilities €'m	Total €'m
Borrowings	**550**	**550**
Interest payable	**6**	**6**
Amounts owed to group undertakings	**1**	**1**
At 30 June 2009	**557**	**557**
Borrowings	491	491
Interest payable	8	8
Amounts owed to group undertakings	1	1
At 30 June 2008	500	500

25. Borrowings

Group	Carrying Amount		Fair Value	
	30 June 2008 €'m	30 June 2009 €'m	30 June 2008 €'m	30 June 2009 €'m
Non-current liabilities				
Floating Rate Notes due 2016 (Listed)	350	**350**	313	**208**
Floating rate senior PIK notes due 2017 (Listed)	501	**559**	318	**168**
Bank borrowings (Senior Credit Facility)	3,189	**3,177**	3,189	**2,488**
Senior Preference Shares (Note 26)	72	**-**	72	**-**
Joint venture borrowings	-	**26**	-	**26**
	4,112	**4,112**	3,892	**2,890**
Debt issue costs	(75)	**(63)**	-	**-**
	4,037	**4,049**	3,892	**2,890**
Finance leases – defeased	23	**1**	23	**1**
Finance leases	1	**-**	1	**-**
Borrowings	4,061	**4,050**	3,916	**2,891**
Current liabilities				
Bank borrowings (Senior Credit Facility)	161	**95**	161	**95**
Debt issue costs	(13)	**(13)**	-	**-**
	148	**82**	161	**95**
Other borrowings	72	**-**	72	**-**
Finance leases – defeased	26	**24**	26	**24**
Finance leases	2	**1**	2	**1**
Overdraft	6	**2**	6	**2**
Borrowings	254	**109**	267	**122**
Total Borrowings	4,315	**4,159**	4,183	**3,013**

Floating Rate Notes
The Floating Rate Notes of €350 million are secured, amongst other things, by a first priority pledge of the shares in ERCIH and second priority on assets of ERC Luxembourg Limited Sarl (formerly BCM Luxembourg Limited Sarl), eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The Floating Rate Notes were issued at a margin of 5.0% above the three-month Euribor and have an effective interest rate of 6.28% at 30 June 2009 (30 June 2008: 9.86%). The notes mature in August 2016. The notes may be redeemed in whole or part at any time at the group's option upon payment of a "make whole" premium. These notes are listed on the Luxembourg stock exchange.

PIK notes
The PIK notes of €425 million were issued by the group in November 2006, are unsecured and bear a margin of 7.00% above the three-month Euribor and have an effective interest rate of 8.28% at 30 June 2009 (30 June 2008: 11.86%). Interest on the PIK notes is paid in the form of additional PIK notes and there is no cash impact while the interest is paid in additional PIK notes. The PIK notes have a maturity date of 15 February 2017. The notes may be redeemed in whole or part at any time at the group's option upon payment of a "make whole" premium. These notes are listed on the Luxembourg stock exchange.

Senior Credit Facility
The Senior Credit Facility, totalling €3,422 million, consists of a €3,272 million term facility and a €150 million revolving credit facility and bears a margin between 1.75% and 4.25% above the one-month Euribor. The Senior Credit Facility is secured by a first priority pledge over the assets of ERCIH and, second priority on assets of ERC Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The senior debt was issued in four tranches. These tranches have maturity dates between 2013 and 2016. Early repayment of the Senior Credit Facility is allowed at the group's option by giving 5 days' notice with the exception of facility D which cannot be repaid unless facility A, facility B and facility C have been repaid in full and the revolving credit facility has been reduced to zero.

Senior Preference Shares
Mandatorily redeemable preference shares had been issued to the ESOT in August 2006. These have been fully redeemed at 30 June 2009. Additional funds were drawn down under the Senior Credit Facility to repay the Senior Preference shares.

25. Borrowings - continued

Finance leases
The group is party to a financing transaction under which lease receivables balances equal lease obligation balances. These are shown gross on the balance sheet. The liability is recognised under "borrowings" and the lease receivable balance is recognised under "other assets". These borrowings are secured over the leased assets.

Fair values
The fair value of borrowings are based on observable market prices where available and an active market exists. Where market prices are not available or are unreliable, fair values are obtained using valuation techniques including discounted cash flow models, which to the extent possible, use observable market inputs. See Note 27 for the fair value of derivative instruments entered into in relation to these borrowings.

Maturity of financial borrowings
The maturity profile of the carrying amount of the group's borrowings is set out below.

	Within 1 Year €'m	Between 1 & 2 Years €'m	Between 2 & 5 Years €'m	After 5 Years €'m	Total €'m
As at 30 June 2009					
Floating Rate Notes due 2016	**-**	**-**	**-**	**350**	**350**
Floating rate senior PIK notes due 2017	**-**	**-**	**-**	**559**	**559**
Bank and other borrowings	**95**	**44**	**329**	**2,804**	**3,272**
Joint venture borrowings	**-**	**3**	**13**	**10**	**26**
	95	**47**	**342**	**3,723**	**4,207**
Debt issue costs	**(13)**	**(13)**	**(35)**	**(15)**	**(76)**
	82	**34**	**307**	**3,708**	**4,131**
Finance leases – defeased	**24**	**1**	**-**	**-**	**25**
Finance leases	**1**	**-**	**-**	**-**	**1**
Overdraft	**2**	**-**	**-**	**-**	**2**
At 30 June 2009	**109**	**35**	**307**	**3,708**	**4,159**
As at 30 June 2008					
Floating Rate Notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	501	501
Bank and other borrowings	161	69	344	2,848	3,422
	161	69	344	3,699	4,273
Debt issue costs	(13)	(13)	(36)	(26)	(88)
	148	56	308	3,673	4,185
Other borrowings	72	-	-	-	72
Finance leases – defeased	26	22	1	-	49
Finance leases	2	1	-	-	3
Overdraft	6	-	-	-	6
At 30 June 2008	254	79	309	3,673	4,315

Bank and other borrowings at 30 June 2009 include Senior Preference Shares of €Nil (30 June 2008: €72 million) and borrowings under a Senior Credit Facility of €3,272 million (30 June 2008: €3,350 million)

Interest accrued on borrowings as at 30 June 2009 is €37 million (30 June 2008: €66 million). This is included in trade and other payables (see Note 30).

25. Borrowings - continued

Borrowing facilities
The group has a €150 million revolving credit facility of which €40 million has been utilised at 30 June 2009 in connection with performance bonds and guarantees (see Note 39).

Our joint venture, Tetra Ireland Communications Limited ("Tetra"), has an €85 million term loan facility of which €46 million has been drawn down at 30 June 2009. This facility can only be drawn down to finance the activities of Tetra.

In addition, the group has €3.5 million, Stg£0.5 million and US$0.5 million of overdraft facilities that are subject to annual review.

Currency
All of the group's borrowings are denominated in euro.

	Carrying Amount		Fair Value	
Company	**30 June 2008 €'m**	**30 June 2009 €'m**	**30 June 2008 €'m**	**30 June 2009 €'m**
Non-current liabilities				
Floating rate senior PIK notes due 2017	501	**559**	318	**168**
Debt issue costs	(10)	**(9)**	-	**-**
Total Borrowings	491	**550**	318	**168**

Interest accrued on borrowings as at 30 June 2009 is €6 million (30 June 2008: €8 million). This is included in trade and other payables (see Note 30).

26. Senior Preference Shares

	30 June 2008 €'m	**30 June 2009 €'m**
At beginning of financial year	143	**72**
Redemption of Senior Preference Shares	(71)	**(72)**
	72	**-**

27. Derivative financial instruments

Group	Carrying Amount 30 June 2008 €'m	Carrying Amount 30 June 2009 €'m	Fair Value 30 June 2008 €'m	Fair Value 30 June 2009 €'m
Non-current assets				
Interest rate swaps – cash flow hedges	89	**-**	89	**-**
Non-current liabilities				
Interest rate swaps – cash flow hedges	-	**(70)**	-	**(70)**
Current liabilities				
Interest rate swaps – not designated as hedges or ineligible for hedge accounting	-	**(71)**	-	**(71)**
	89	**(141)**	89	**(141)**

Derivatives that are not designated as hedges or are ineligible for hedge accounting are classified as a current asset or liability, regardless of maturity.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The group does not use derivatives for trading or speculative purposes.

Interest rate swaps
The notional principal amount of the active interest rate swap contracts was €3,026 million at 30 June 2009 (30 June 2008: €3,000 million). The group has also entered into an offsetting interest rate basis swap with a notional principal of €2,950 million (30 June 2008: €Nil), which exchanges the six-month floating interest receipts on our interest rate swap contracts for the one-month floating interest required in respect of a proportion of our debt.

The group has contracted a number of forward starting interest rate swaps which will replace active interest rate swaps when they mature in future periods. The total notional principal amount of these contracts is €3,800 million (30 June 2008: €500 million), inclusive of €2,800 million (30 June 2008: €Nil) in respect of a forward starting interest basis swap contract.

At 30 June 2009, the fixed interest rate on our interest rate swaps, including forward starting swaps, was between 2.865% and 4.47% (30 June 2008: 3.79% to 4.47%) and the floating rate was based on Euribor. Gains and losses recognised in the cash flow hedging reserve in equity (see Note 32) on interest rate swaps as of 30 June 2009 will be released to the income statement when the hedged interest expense is recognised over the period from 2010 to 2013.

The ineffective portion of the change in the fair value of the derivatives recognised in the income statement that arises from qualifying cash flow hedges amounts to a loss of €4 million (30 June 2008: €Nil). The unrealised loss recognised in the income statement during the period that arises from derivatives not designated as hedges or ineligible for hedge accounting is €79 million (30 June 2008: €Nil). These amounts have been classified in the income statement within 'finance costs'.

During the year, the group increased the frequency of interest payments on a proportion of its hedged borrowings, from semi-annually to monthly. As part of the group's overall treasury management and hedging policy, a concurrent interest rate basis swap was entered into. From an accounting perspective, the deviation from the original formal designation of the hedge relationships has altered the income statement recognition of the change in the fair value of the derivatives in accordance with IAS 39. However, the economics of the hedge relationships are unaffected. Arising from this change, a number of derivatives were not designated or became ineligible for hedge accounting during the period and ineffectiveness also arose on relationships which continue to qualify for hedge accounting, resulting in the recognition of fair value changes in the income statement.

28. Deferred tax liabilities

Group
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The group has no material unrecognised deferred tax assets at 30 June 2009.

Deferred tax assets where the group does not have a right of offset are included separately (see Note 17).

Recognised net deferred tax liabilities
Deferred net tax liabilities are attributable to the following:

	Assets 30 June 2009 €'m	Liabilities 30 June 2009 €'m	Net 30 June 2009 €'m
Property, plant and equipment	**-**	**(173)**	**(173)**
Intangible assets	**-**	**(65)**	**(65)**
Deferred revenues	**2**	**-**	**2**
Other items including pension	**15**	**-**	**15**
Derivative financial instruments	**16**	**-**	**16**
	33	**(238)**	**(205)**

	Assets 30 June 2008 €'m	Liabilities 30 June 2008 €'m	Net 30 June 2008 €'m
Property, plant and equipment	-	(182)	(182)
Intangible assets	-	(71)	(71)
Deferred revenues	2	-	2
Provisions	3	-	3
Other items including pension	20	-	20
Derivative financial instruments	-	(26)	(26)
	25	(279)	(254)

The movement in net deferred tax liabilities during the financial year is as follows:

	1 July 2008 €'m	Reclass to current tax €'m	Recognised in income credit/(charge) €'m	Recognised in equity €'m	30 June 2009 €'m
Property, plant and equipment	**(182)**	**-**	**9**	**-**	**(173)**
Intangible assets	**(71)**	**-**	**6**	**-**	**(65)**
Deferred revenues	**2**	**-**	**-**	**-**	**2**
Provisions	**3**	**-**	**(3)**	**-**	**-**
Other items including pension	**20**	**-**	**(5)**	**-**	**15**
Derivative financial instruments	**(26)**	**-**	**10**	**32**	**16**
	(254)	**-**	**17**	**32**	**(205)**

The movement in net deferred tax liabilities during the previous financial year is as follows:

	1 July 2007 €'m	Reclass to current tax €'m	Recognised in income credit/(charge) €'m	Recognised in equity €'m	30 June 2008 €'m
Property, plant and equipment	(198)	-	16	-	(182)
Intangible assets	(73)	-	2	-	(71)
Deferred revenues	2	-	-	-	2
Provisions	21	(18)	-	-	3
Other items including pension	25	-	(5)	-	20
Derivative financial instruments	(16)	-	-	(10)	(26)
	(239)	(18)	13	(10)	(254)

29. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restructuring Costs €'m	Other €'m	Total €'m
At 1 July 2008	**103**	**14**	**61**	**83**	**261**
Charged to consolidated income statement:					
- Additional provisions	3	29	27	8	67
- Unused amounts reversed	-	-	-	(3)	(3)
- Unwinding of discount	5	-	-	1	6
- Change in discount rate	5	-	-	-	5
Transfer to retirement benefit liability	-	-	(6)	-	(6)
Increase in provision capitalised as asset retirement obligation	-	-	-	7	7
Utilised in the financial year	(21)	(3)	(32)	(7)	(63)
At 30 June 2009	**95**	**40**	**50**	**89**	**274**

Provisions have been analysed between current and non-current as follows:

	30 June 2008 €'m	30 June 2009 €'m
Non-current	183	**198**
Current	78	**76**
	261	**274**

Temporary income stream ("TIS") annuity scheme
The eircom group established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The group estimates the annuity liability as the present value of the fixed payment stream due to employees. At 30 June 2009, the remaining TIS annuity scheme provision is expected to be substantially utilised over a period of six years.

Onerous Contracts
The group has onerous contracts in relation to leases on vacant properties and leasehold disposals relating to relocations. The group has estimated the future cash outflows arising from these onerous contracts. The estimation of outflows reflects current economic conditions and include judgements in respect of sub lease income on certain properties. If the group were unable to sublet the properties for the duration of the lease an additional provision of €19 million would be required in the financial statements. At 30 June 2009, the liability is expected to be discharged over a period of one to nine years.

Restructuring costs
In May 2007, the group announced a voluntary leaving plan to reduce its workforce by c.900 over three years and included a provision of €157 million in the 2007 financial statements to reflect the estimated costs associated with that plan. In March 2009, the group announced a plan to reduce its workforce by 1,200 in the period from 1 April 2009 to 30 June 2011 through voluntary leaving, contractor reductions and natural turnover. The group included a further provision of €27 million in the year ended 30 June 2009 to reflect the additional estimated costs associated with this plan. The provisions comprise the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact. The group has a constructive obligation in respect of the costs of this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in those estimates over the life of the plans directly affect the income statement.

The utilisation of restructuring provisions during the year comprises of cash payments of €25 million (30 June 2008: €78 million), individual staff exits agreed but unpaid of €7 million (30 June 2008: €10 million) (included in accruals) and pension costs associated with restructuring of €6 million (30 June 2008: €8 million).

Other
The group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to 30 June 2009, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled.

29. Provisions for other liabilities and charges - continued

Other - continued
The group also has a provision for costs arising from certain compliance matters including certain obligations in relation to the retirement of assets mainly poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2010 to 2025 and these anticipated cash flows are discounted using a real rate of return of circa 3% to 4%.

30. Trade and other payables

	Group		Company	
	30 June 2008	**30 June 2009**	**30 June 2008**	**30 June 2009**
	€'m	**€'m**	**€'m**	**€'m**
Non-current liabilities: -				
Trade payables	50	**53**	**-**	**-**
	50	**53**	**-**	**-**
Current liabilities: -				
Trade payables	107	**157**	**-**	**-**
Interest payable	66	**37**	**8**	**6**
Amounts owed to group undertakings	18	**3**	**1**	**1**
Other tax and social security payable	52	**43**	**-**	**-**
Accruals	399	**315**	**-**	**-**
Deferred income	174	**156**	**-**	**-**
	816	**711**	**9**	**7**

The carrying amounts of trade payables are denominated in the following currencies:

	Group		Company	
	30 June 2008	**30 June 2009**	**30 June 2008**	**30 June 2009**
	€'m	**€'m**	**€'m**	**€'m**
Euro	141	**197**	-	**-**
SDR	11	**7**	-	**-**
Sterling	3	**3**	-	**-**
US dollar	2	**3**	-	**-**
	157	**210**	-	**-**

31. Share Capital
The share capital at 30 June 2009 and 30 June 2008 is set out below:-

AS AT 30 JUNE 2009 AND 30 JUNE 2008

AUTHORISED			ISSUED	
Number and Class of Share	**Amount €**	Nominal Value per Share	Number and Class of Share	**Amount €**
50,000,000,000 Ordinary shares	500,000,000	€0.01 each	214,306,430 Ordinary shares	2,143,064
Equity share capital	**500,000,000**		**Equity share capital**	**2,143,064**

There were no alterations to the issued share capital of ERCIPE during the years ended 30 June 2009 and 30 June 2008. The authorised share capital of ERCIPE was amended by ordinary resolution to 50,000,000,000 Ordinary Shares of €0.01 each during the year ended 30 June 2008.

31. Share Capital - continued

Rights attaching to the ordinary shares are as follows:
The Ordinary Shares carry the right to receive notice of, attend and vote at, general meetings of the Company. The Ordinary Shares carry the right to receive dividends as and when declared by the Directors. On a winding-up of the Company the Ordinary Shares carry the right to share in the surplus assets of the Company.

Share Appreciation Rights Scheme (SARS)
Employees of certain subsidiaries were awarded performance units under a Share Appreciation Rights Scheme (SARS). All of the units were fully vested at 30 June 2009. Included in the income statement is a charge for the year of €2.4 million (30 June 2008: €2.3 million) reflecting unit grants, employee services provided in the period and changes to the fair value of the units. Trade and other payables include an accrual in respect of the liabilities under the SARS scheme of €10.5 million (30 June 2008: €8.1 million).

32. Reconciliation of total shareholders' equity

Group

	Equity share capital €'m	Share premium account €'m	Revaluation reserve €'m	Cash flow hedging reserve €'m	Retained earnings €'m	Total equity €'m
Opening balance	**-**	**-**	**-**	**-**	**-**	**-**
Cash flow hedges:						
- Fair value gains in year	-	-	-	50	-	50
- Tax on fair value gains	-	-	-	(16)	-	(16)
- Transfer to income statement	-	-	-	3	-	3
Loss for the financial period	-	-	-	-	(159)	(159)
Associate's share of the increase in the underlying fair value of the acquired eircom Group between the date of the initial investment and date of assuming control	-	-	3	-	-	3
Issue of share capital	2	861	-	-	-	863
Redemption paid to equity shareholders	-	(414)	-	-	-	(414)
Balance at 30 June 2007	2	447	3	37	(159)	330
Balance at 1 July 2007	2	447	3	37	(159)	330
Currency translation differences	-	-	-	-	(1)	(1)
Cash flow hedges:						
- Fair value gains in year	-	-	-	54	-	54
- Tax on fair value gains	-	-	-	(10)	-	(10)
- Transfer to income statement	-	-	-	(18)	-	(18)
Profit for the financial year	-	-	-	-	117	117
Balance at 30 June 2008	2	447	3	63	(43)	472
Balance at 1 July 2008	**2**	**447**	**3**	**63**	**(43)**	**472**
Cash flow hedges:						
- Fair value loss in year	**-**	**-**	**-**	**(137)**	**-**	**(137)**
- Tax on fair value loss	**-**	**-**	**-**	**32**	**-**	**32**
- Transfer to income statement	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Loss for the financial year	**-**	**-**	**-**	**-**	**(851)**	**(851)**
Balance at 30 June 2009	**2**	**447**	**3**	**(51)**	**(894)**	**(493)**

32. Reconciliation of total shareholders' equity - continued

Company

	Equity Share capital €'m	Share premium account €'m	Retained earnings €'m	Total equity €'m
Balance at 1 July 2007	2	447	(29)	420
Loss for the financial year	-	-	(56)	(56)
Balance at 30 June 2008	2	447	(85)	364
Balance at 1 July 2008	**2**	**447**	**(85)**	**364**
Loss for the financial year	**-**	**-**	**(857)**	**(857)**
Balance at 30 June 2009	**2**	**447**	**(942)**	**(493)**

Loss of Holding Company
The company has not presented its individual income statement in these financial statements. The company's result for the financial year is a loss of €857 million (30 June 2008: loss of €56 million).

33. Cash generated from operations
Reconciliation of consolidated operating profit to net cash inflow from operating activities: -

(a) Group - Cash generated from operations

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
(Loss)/profit after taxation	(159)	117	**(851)**
Addback:			
Income tax (credit)/charge	(9)	28	**(11)**
Share of profit in associate	(13)	-	**(2)**
Finance costs – net	241	319	**378**
Operating profit/(loss)	60	464	**(486)**
Adjustments for:			
- Profit on disposal of property and investments	-	(78)	**(3)**
- Net construction income	(19)	(37)	**(6)**
- Depreciation, amortisation and impairment	350	399	**434**
- Goodwill impairment	-	-	**720**
- Non cash retirement benefit credit	(4)	(50)	**(10)**
- Non cash movement in restructuring provisions	157	-	**27**
- Other non cash movements in provisions	-	6	**35**
Cash flows relating to prior year restructuring and other provisions	(12)	(88)	**(40)**
Cash flows relating to construction contract	(22)	(36)	**123**
Changes in working capital			
- Inventories	(2)	2	**3**
- Trade and other receivables	20	(13)	**34**
- Trade and other payables	88	52	**(46)**
- Inter-company payables to group undertakings	9	9	**(16)**
Cash generated from operations	625	630	**769**

33. Cash generated from operations - continued

(b) In the cash flow statement, proceeds from sale of property, plant and equipment (PPE) and investments comprise:

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Profit on disposal of PPE and investments	-	78	**3**
Disposal of goodwill (Note 13)	-	61	**-**
Net book value of PPE disposals (Note 15)	54	17	**10**
Adjust for accrued proceeds from sale of property	(1)	(1)	**-**
Proceeds from sale of PPE and investments	53	155	**13**

(c) Company - Cash generated from operations

	Period ended 30 June 2007 €'m	Year ended 30 June 2008 €'m	Year ended 30 June 2009 €'m
Loss after taxation	(29)	(56)	**(857)**
Addback:			
Finance costs – net	29	56	**57**
Operating loss	-	-	**(800)**
Adjustments for non cash movements:			
- Impairment charge	-	-	**800**
Cash generated from operations	-	-	**-**

34. Post Balance Sheet Events

Litigation
On 18 August 2009, ComReg adopted a decision in relation to the price charged by eircom for shared access to unbundled local loops, a product known as line share. ComReg directed in particular that eircom reduces the monthly charge for line share from €8.41 to €0.77 on the basis that eircom should only recover the incremental costs associated with the provision of line share. eircom issued proceedings appealing the Decision on 14 September 2009. The appeal was admitted to the Commercial division of the High Court on 12 October 2009, with no stay sought in relation to the Decision.

35. Principal Subsidiaries, Joint Ventures and Associated Undertakings

	Interest in Ordinary Shares at 30 June 2009	Business	Registered Office and Country of Incorporation
ERC Ireland Finance Limited	100%	Holding Company	**Branch address (Ireland)** 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland. **Registered Office(Cayman Islands)** Maples & Calder Corporate Services Limited, Ugland House, South Church Street, Grand Cayman, Cayman Islands.

35. Principal Subsidiaries, Joint Ventures and Associated Undertakings – continued

	Interest in Ordinary Shares at 30 June 2009	Business	Registered Office and Country of Incorporation
ERC Ireland Holdings Limited	100%	Holding Company	**Branch address (Ireland)** 1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland. **Registered Office (Cayman Islands)** Maples & Calder Corporate Services Limited, Ugland House, South Church Street, Grand Cayman, Cayman Islands.
ERC Luxembourg Limited Sarl	100%	Finance Company	4 rue Alphonse Weicker, L-2721 Luxembourg, Grand Duchy of Luxembourg.
eircom Group Limited	100%	Holding Company	1 Park Row, Leeds, LS1 5AB, United Kingdom.
Valentia Telecommunications (an unlimited public company)	100%	Holding Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland
eircom Limited	100%	Provision of telecommunications and related services	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Meteor Mobile Communications Limited	100%	Provision of mobile telecommunications and related services	4030 Kingswood Avenue, Citywest Business Park, Naas Road, Dublin 24, Ireland.
Irish Telecommunications Investments Limited	100%	Telecommunications Financing and Treasury Management	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Osprey Property Limited	100%	Property Development Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom Phonewatch Limited	100%	Installation, Monitoring and Maintenance of Residential Security Systems	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom UK Limited	100%	Provision of Telecommunications and Related Services	South Quay Plaza II, 183 Marsh Wall, London E14 9SH, UK.
Lan Communications Limited	100%	Provision of communications technology solutions	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
eircom Investments BV	100%	Investment Holding Company	Strawinskylaan 3105 7HG 1077 ZX, Amsterdam, The Netherlands.
Eircable Limited	100%	Finance Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.

35. Principal Subsidiaries, Joint Ventures and Associated Undertakings – continued

	Interest in Ordinary Shares at 30 June 2009	Business	Registered Office and Country of Incorporation
eircom Holdings Limited	100%	Investment Holding Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
GoFree Limited	100%	Property Investment Company	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Tetra Ireland Communications Limited (Joint venture)	56%	Build and Operate National Digital Radio Services Network	1 Heuston South Quarter, St. John's Road, Dublin 8, Ireland.
Altion Limited (Associated undertaking)	16.8%	Telecommunications Software Solutions	7th Floor, O'Connell Bridge House, D'Olier Street, Dublin 2, Ireland.
Buy4Now Limited (Associated undertaking)	32.2%	E-commerce Software Developer	9 The Mall, Beacon Court, Bracken Road, Sandyford Industrial Estate, Dublin 18, Ireland.

36. Employees

The average number of persons employed by the group for the year ended 30 June 2009, 30 June 2008 and for the period from the acquisition of eircom Group on 18 August 2006 to 30 June 2007 was as follows:-

	Period ended 30 June 2007	Year ended 30 June 2008	Year ended 30 June 2009
Fixed line			
Operations/Technical	4,672	4,484	**4,270**
Sales/Customer Support	1,855	1,794	**1,615**
Administration	512	470	**478**
Total	7,039	6,748	**6,363**
Mobile			
Operations/Technical	260	295	**314**
Sales/Customer Support	332	352	**343**
Administration	130	162	**146**
Total	722	809	**803**
Total fixed line and mobile	7,761	7,557	**7,166**

The total number of persons employed by the group at 30 June 2009, 30 June 2008 and 30 June 2007 was as follows:-

	30 June 2007	30 June 2008	30 June 2009
Fixed line			
Operations/Technical	4,664	4,312	**4,089**
Sales/Customer Support	1,856	1,636	**1,504**
Administration	508	459	**497**
Total	7,028	6,407	**6,090**
Mobile			
Operations/Technical	295	291	**313**
Sales/Customer Support	345	348	**333**
Administration	144	177	**143**
Total	784	816	**789**
Total fixed line and mobile	7,812	7,223	**6,879**

37. Pensions
(a) The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature.

The total group pension charge is split between the schemes as follows:

	30 June 2007 €'m	30 June 2008 €'m	30 June 2009 €'m
Defined Benefit Schemes (the principal scheme) charge/(credit)	19	(26)	**7**
Defined Contribution Schemes	5	6	**6**
Total	24	(20)	**13**

The actual contributions in respect of the principal scheme represent a rate of 7.8% (effective from 30 September 2007) of pensionable emoluments, as advised by the group's actuaries. The rate up to this date was 10%. The last Actuarial Valuation of the principal scheme was carried out, using the attained age method, as at 30 September 2007 by Mercer who are actuaries to the Scheme but are neither officers nor employees of the group. The actuarial method used involved determining an appropriate future group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 (see Note 37 (b)) over the remaining working lifetime of the current members. The primary financial assumption underlying the actuarial valuation was that the Scheme's investments will earn a real rate of investment return, over and above salary inflation and pension increases, between 2.5% and 2.75% per annum. At the date of the last actuarial valuation, the market value of the pension scheme assets was €3,215 million and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions. The actuarial report is available for inspection by the members of the scheme at 1 Heuston South Quarter, St. John's Road, Dublin 8. The actuarial report is not available for public inspection. The next scheduled formal valuation of the scheme is 30 September 2010.

Mercer also perform all annual valuations required under IAS 19 "Employee Benefits" and performed a valuation of the liabilities of the scheme at 18 August 2006, to determine the fair value of the pension scheme at the acquisition date. These valuations were performed on the projected unit basis.

The group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19 (see Note 2.18(i)). The corridor approach has been applied from the acquisition date, 18 August 2006.

Pension scheme obligation
The status of the principal scheme at 30 June 2009 is as follows:

	30 June 2007 €'m	30 June 2008 €'m	30 June 2009 €'m
Present value of funded obligations	(2,836)	(2,726)	**(2,636)**
Fair value of scheme assets	3,258	2,746	**2,201**
Scheme assets in excess of benefit obligation/(benefit obligation in excess of scheme assets)	422	20	**(435)**
Unrecognised actuarial (gains)/losses	(577)	(133)	**326**
Liability recognised in the Balance Sheet	(155)	(113)	**(109)**

Reconciliation of Defined Benefit obligation	30 June 2007 €'m	30 June 2008 €'m	30 June 2009 €'m
At beginning of financial year	-	2,836	**2,726**
Acquired in business combinations	3,092	-	**-**
Current service cost	56	56	**41**
Interest cost	129	150	**169**
Transfer from provisions for liabilities and charges	-	8	**6**
Actuarial gains	(417)	(293)	**(271)**
Contributions by employees	15	17	**17**
Benefits paid	(39)	(48)	**(52)**
Total – Defined Benefit Obligation	2,836	2,726	**2,636**

Reconciliation – Fair Value of Plan Assets	30 June 2007 €'m	30 June 2008 €'m	30 June 2009 €'m
At beginning of financial year	-	3,258	**2,746**
Acquired in business combinations	2,933	-	**-**
Expected return on plan assets	166	211	**203**
Actuarial gains/(losses)	160	(716)	**(730)**
Contributions paid by group	23	24	**17**
Contributions by employees	15	17	**17**
Benefits paid	(39)	(48)	**(52)**
Total – Fair Value of Plan Assets	3,258	2,746	**2,201**

37. Pensions - continued

The components of the amounts recognised in the income statement are as follows:

	30 June 2007 €'m	30 June 2008 €'m	30 June 2009 €'m
Current service cost	56	56	**41**
Interest on obligation	129	150	**169**
Expected return on scheme assets	(166)	(211)	**(203)**
Net actuarial gains recognised in the financial year	-	(21)	**-**
Total charge/(credit) included in income statement	19	(26)	**7**
Actual return on scheme assets	326	(505)	**(527)**

At 30 June 2009 unrecognised actuarial losses exceeded the present value of the defined benefit asset by more than 10%. At 30 June 2009, the excess amount of the loss was €62 million (2008: €Nil, 2007: gain €251 million). Excess gains and losses are recognised as a pension credit or charge over the expected average remaining working lives of the employees.

The average remaining service life of employees at 30 June 2009 is 11 years (2008: 12 years, 2007: 12 years). The expected contribution level for the year ended 30 June 2010 for the defined benefit scheme is €20 million and the expected charge in the income statement is €40 million.

Pension scheme assets

The fair value of scheme assets as at 30 June 2009 was €2,201 million (2008: €2,746 million, 2007: €3,258 million).

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	30 June 2007 €'m	%	30 June 2008 €'m	%	30 June 2009 €'m	%
Equities & other assets	2,334	72%	1,711	62%	**1,294**	**59%**
Bonds	554	17%	608	22%	**644**	**29%**
Property	265	8%	249	9%	**132**	**6%**
Cash	105	3%	178	7%	**131**	**6%**
Total pension assets	3,258	100%	2,746	100%	**2,201**	**100%**

The average expected long-term rate of return on assets is 6.95%. The overall expected return on plan assets is based upon the weighted average of the assumed returns on the major asset classes. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 18 August 2006	At 30 June 2007	At 30 June 2008	At 30 June 2009
Rate of increase in salaries *	3.50%	3.50%	3.50%	**2.80%**
Rate of increase in pensions in payment *	3.50%	3.50%	3.50%	**2.80%**
Discount rate	4.85%	5.35%	6.25%	**5.75%**
Expected return on scheme assets	6.50%	6.50%	7.40%	**6.95%**
Inflation assumption	2.25%	2.25%	2.50%	**2.00%**
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old male	84 years	84 years	86 years	**86 years**
Mortality assumptions – Pensions in payment - Implied life expectancy for 65 year old female	87 years	87 years	89 years	**89 years**
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old male	85 years	85 years	87 years	**87 years**
Mortality assumptions – Future retirements - Implied life expectancy for 65 year old female	88 years	88 years	90 years	**90 years**
Increase in net assets/(decrease in net liabilities) at the balance sheet date assuming an increase in the discount rate applied of 0.25%		€132 million	€117 million	**(€109 million)**
Reduction in net assets/(increase in net liabilities) at the balance sheet date assuming an increase in the salary and pension growth applied of 0.25%		€132 million	€117 million	**(€97 million)**

** The assumptions as at 30 June 2009 reflect the agreed pay freeze up to 30 June 2011, with a 0% rate of increase in salaries and pensions applied to that date and the stated rate of increase applied thereafter.*

37. Pensions - continued

Assumptions of actuarial calculations - continued
The expected long term rate of return on scheme assets were:

	At 30 June 2007	At 30 June 2008	At 30 June 2009
Equities	7.40%	8.40%	**8.60%**
Bonds	4.60%	5.00%	**4.40%**
Cash	3.00%	4.50%	**2.50%**
Property	6.40%	7.40%	**7.60%**

Experience gains on scheme liabilities	€417m	€293m	**€271m**
Percentage of the present value of the scheme liabilities	15%	10%	**10%**
Difference between the actual and expected return on scheme assets – gains/(losses)	€160m	(€716m)	**(€730m)**
Percentage of scheme assets	5%	(26%)	**(33%)**

(b) The Irish Minister for Finance is responsible for meeting and discharging the liability of: (i) the pension costs of former staff of the Irish Department of Posts and Telegraphs who retired or died before the vesting Day (1 January 1984); (ii) costs in respect of the pension entitlements, related to pre-vesting day reckonable service, of staff who transferred to eircom from the Irish Civil Service. Such benefit payments are made from the eircom Number 2 Pension Fund, which was established in March 1999 and received a contribution of €1,016 million from the Irish Minister for Finance in accordance with arrangements set out in the eircom Superannuation (Amendment) Scheme, 1999. However, the Minister retains full liability for these payments.

38. Operating Lease Commitments

At 30 June 2009, the group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the group's annual commitments is as follows:-

	30 June 2008 (restated)		30 June 2009	
	Property €'m	Vehicles, plant and equipment €'m	Property €'m	Vehicles, plant and equipment €'m
Annual commitments				
Under non-cancellable operating lease expiring:				
Within one year	2	1	**2**	**1**
Within two to five years	7	3	**11**	**2**
After five years	35	-	**32**	**-**
	44	4	**45**	**3**

The total contracted payments due on operating leases are as follows:

	30 June 2008 (restated) €'m	30 June 2009 €'m
Payable:		
Within 1 year	48	**48**
Between 2 and 3 years	80	**86**
Between 4 and 5 years	68	**72**
Over 5 years	296	**267**
	492	**473**

39. Contingent Liabilities

Allegations of anti-competitive practices
On 17 October 2002, ComReg determined that eircom were not in compliance with their obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of eircom's discount schemes and published prices. No penalties were levied on eircom as a result of this determination.

Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against eircom seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom submitted their defence on 26 January 2004 and intend to defend the proceedings vigorously.

The plaintiffs submitted general particulars of their damages claim on 3 February 2004 under the headings: loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers (€7.4 million), failure to meet the plaintiffs' alleged budgeted growth (€25 million) and loss of revenue on the plaintiffs' pricing (€5 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on eircom's part under each of these headings, eircom's directors do not believe that these figures represent damages which would be properly recoverable from eircom.

Claims by Smart Telecom
On 8 June 2005, Smart Telecom instituted proceedings against eircom in the Irish High Court, challenging the validity of a notice of termination issued by eircom to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination was an abuse by eircom of its dominant position in the telecommunications market. Smart Telecom further alleges that eircom was abusing its dominant position by refusing to provide network access in the form of Local Loop Unbundling ("LLU") to Smart Telecom in the manner required by Smart Telecom. The relief sought by Smart Telecom was declarations that the notice of termination was invalid and an abuse of dominance, that eircom was abusing its dominance by failing to meet Smart Telecom's LLU requirements and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty. eircom delivered its defence in the proceedings on 23 December 2005.

eircom's directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously. Smart Telecom submitted general particulars of their damages claim under the headings: wasted expenditure (€1.6 million), delayed sales/lost customers (€3.8 million per annum), and capitalisation of losses (€41.7 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, eircom's directors do not believe that these figures represent damages that would be properly recoverable from eircom.

In October 2006, eircom terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom introduced the LLU functionality that is the subject of Smart's claim in the proceedings.

Business exits - Towercom claim
In connection with the demerger of eircom's mast business, and its subsequent acquisition by Towercom Holdings Limited on 18 September 2007, eircom gave warranties to Towercom Holdings Limited in respect of various matters. On 12 March 2009, Towercom Holdings Limited instituted a claim in the Commercial division of the High Court for €22 million in respect of alleged breaches of those warranties. A Statement of Claim was delivered on 25 March 2009. eircom's defence was filed on 12 May 2009 denying liability. In order to understand the basis on which the claim is made, eircom has raised detailed queries in relation to the claim and requested voluntary discovery from Towercom on 9 July 2009. Voluntary discovery was exchanged between the parties on 17 October 2009. The matter is due to be mentioned in the Commercial division of the High Court on the 30 November 2009, at which time discovery will have been considered.

On 29 May 2009, eircom received a further letter of claim from solicitors for Towercom in relation to the acquisition of the mast business. This claim is being investigated.

Hearing Loss claims
eircom has received letters before action in relation to potential hearing loss claims from one hundred and thirteen current and former employees, fourteen of which have been withdrawn. These claims will have to progress through the compulsory Injuries Board (formerly the Personal Injuries Assessment Board) process. Thirty-three of these claims have progressed to the stage where Court proceedings have issued. In seventeen of these cases, Court proceedings have been served on eircom and are progressing through the Court process and are at various stages in that process. eircom denies liability in all cases and intends to defend all claims.

39. Contingent Liabilities - continued

USO obligations
eircom is obliged to meet certain legally binding quality of performance standards set by ComReg in Decision Notice D02/08. On 14 October 2009, ComReg published eircom's Universal Service Obligations performance for year ended 30 June 2009.

On 14 October 2009, ComReg issued a Notification of a Finding of Non-Compliance in respect of eircom's Universal Service Obligations performance for the year ended 30 June 2009. eircom has one month to state its views in relation to this or to remedy the alleged non-compliance. If ComReg is of the view at the end of the one month period that eircom has not complied with its obligations, ComReg may apply to the High Court for such an order as they consider to be appropriate to ensure compliance.

Performance bonds
Performance bonds have been issued in respect of the group's obligation to make payments to third parties in the event that the group does not perform its contracted commitments under the terms of certain contracts. Group performance bonds at 30 June 2009 include €30 million (30 June 2008: €47 million) in respect of undertakings to roll out a 3G network in Ireland, including achieving certain agreed milestones and €10 million of other performance bonds and guarantees. No material losses are expected in respect of these obligations.

Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory authorities have arisen in the normal course of business. While any litigation has an element of uncertainty, the directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

40. Credit guarantees

Credit guarantees
The credit guarantees comprise guarantees and indemnities of bank or other facilities, including those in respect of the group's subsidiary undertakings. The group has guaranteed financial indebtedness for €3.8 billion in respect of the Senior Credit Facility, the Floating Rate Notes and the revolving credit facility.

Senior Credit Facility
The Senior Credit Facility of the group consists of a €3.4 billion term and revolving credit facility which has the benefit of guarantees and security for all amounts borrowed under the terms of the Senior Credit Facility. The Senior Credit Facility is secured by a first-priority pledge over the assets of ERCIH and, a pledge over all of the assets of ERC Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited. The subsidiaries guaranteeing the Senior Credit Facility are ERC Luxembourg Limited Sarl, eircom Group Limited, Valentia Telecommunications, eircom Limited, Irish Telecommunications Investments Limited and Meteor Mobile Communications Limited.

Floating Rate Notes
The Floating Rate Notes of €350 million issued by ERCIF, are guaranteed on a senior subordinated basis by ERCIH and the subsidiaries guaranteeing the Senior Credit Facility. The Floating Rate Notes are also secured by a first-priority pledge over all the shares of ERCIH.

PIK notes
The Payment-In-Kind ("PIK") notes of €559 million are senior obligations of ERCIPE and rank equally in right of payment with all existing and future senior indebtedness of ERCIPE. These Notes are effectively subordinated to any existing and future indebtedness of ERCIPE's subsidiaries.

41. Commitments

Capital commitments of the group which have been contracted for were €82 million at 30 June 2009 (30 June 2008: €96 million). These amounts have been approved by the Board.

42. Related party transactions

The following transactions were carried out with related parties:

a) Key management compensation

	Period ended 30 June 2007 €'m	**Year ended 30 June 2008 €'m**	**Year ended 30 June 2009 €'m**
Salaries and other short-term employee benefits	10.2	9.8	**7.7**
Termination benefits	4.7	-	**1.2**
Post-employment benefits	0.6	0.6	**0.5**
	15.5	10.4	**9.4**

When the acquisition of eircom Group by ERCIH became effective on 18 August 2006, a new Executive team was formed, this new Executive team overlapped with the old Executive team for a period of time resulting in additional remuneration costs and termination benefits in the period ended 30 June 2007.

b) Transactions and loans between related parties – Group

Group	**30 June 2007 €'m**	**30 June 2008 €'m**	**30 June 2009 €'m**
Amounts due from group undertaking:			
Beginning of financial year	-	1	**4**
ESOT administrative expenses recharged during the financial year	1	-	**1**
Transfer from 'Amounts owed to group undertakings'	-	-	**1**
Expenses paid on behalf of ERCIE during the year	-	3	**5**
End of financial year (Note 20)	1	4	**11**
Amounts owed to group undertakings:			
Beginning of financial year	-	9	**18**
Management fee recognised in income statement	8	10	**3**
Management fee saving in respect of prior years	-	-	**(10)**
Executive services charges recognised in income statement	1	1	**-**
Executive services charges paid during the year	-	(2)	**-**
Transfer to 'Amounts due from group undertaking'	-	-	**1**
Management fee paid during the year	-	-	**(8)**
Other expenses paid during the year	-	-	**(1)**
End of financial year (Note 30)	9	18	**3**

c) Other related parties transactions

30 June 2009
During the year ended 30 June 2009, dividends in relation to the senior preference shares of €2.3 million were payable to the eircom ESOP Trustee Limited, a 35% shareholder in ERCIE. These are included in the finance costs in the income statement (Note 11). The amount outstanding in respect of these dividends is €0.2 million at 30 June 2009.

During the year ended 30 June 2009, the group recharged capital and operating costs incurred on behalf of Tetra Ireland Communications Limited of €4.3 million. The amount outstanding in respect of these costs is €2.5 million at 30 June 2009.

30 June 2008
During the year ended 30 June 2008, the company's parent company, ERCIE committed to introducing an incentive scheme for certain executives and key management of the ERCIPE Group. The costs of this scheme will be borne by ERCIE and ERCIE included a provision and a charge of €3.3 million in its financial statements in respect of this scheme for the year ended 30 June 2008. ERCIPE and its subsidiaries will not be recharged for the costs incurred by ERCIE in meeting its obligations under this incentive scheme. Consequently, no charge or liability in respect of this incentive scheme is reflected in the ERCIPE Group.

The directors of ERCIE reassessed the liability in respect of the proposed scheme at 30 June 2009 and included a credit of €3.3 million in its financial statements for the year ended 30 June 2009 which reduced the provision to €Nil.

42. Related party transactions - continued

c) Other related parties transactions – continued

During the year ended 30 June 2008, Babcock & Brown Limited was paid advisory fees of €2.4 million in relation to the sale of the shares in our mast business. These costs are included in determining the profit on disposal of property and investments in the income statement. There are no amounts outstanding in respect of these costs at 30 June 2008.

During the year ended 30 June 2008, dividends in relation to the senior preference shares of €5.9 million were payable to the eircom ESOP Trustee Limited, a 35% shareholder in ERCIE. These are included in the finance costs in the income statement (Note 11). The amount outstanding in respect of these dividends is €1.5 million at 30 June 2008.

During the year ended 30 June 2008, the group recharged capital and operating costs incurred on behalf of Tetra Ireland Communications Limited of €4.3 million. The amount outstanding in respect of these costs is €1.2 million at 30 June 2008.

30 June 2007
During the period ended 30 June 2007, Babcock & Brown Capital Limited reclaimed €30 million of certain debt issue costs and transaction costs that it paid on behalf of the ERCIPE group in relation to refinancing of the group and the acquisition of eircom Group by ERCIH. These were repaid during the period and there were no amounts outstanding at 30 June 2007.

During the period ended 30 June 2007, Babcock & Brown Securities Limited was paid advisory fees of €58 million; €53 million of the costs were included in the direct costs relating to the acquisition (Note 5) and €5 million of the costs were included in the costs relating to the raising of debt in the group (Note 25). There were no amounts outstanding at 30 June 2007.

During the period ended 30 June 2007, eircom ESOP Trustee Limited, were paid advisor fees of €11 million in relation to the acquisition of eircom Group by ERCIH. These costs are included in the direct costs relating to the acquisition (Note 5). These were repaid during the period and there were no amounts outstanding at 30 June 2007.

During the period ended 30 June 2007, dividends in relation to the senior preference shares of €6.8 million were payable to the eircom ESOP Trustee Limited. These are included in the finance costs in the income statement (Note 11). The amount outstanding in respect of these dividends is €2 million at 30 June 2007.

d) Transactions and loans between related parties – Company

Company	**30 June 2008 €'m**	**30 June 2009 €'m**
Amounts owed to group undertakings:		
Beginning of financial year	1	**1**
Loan received during the financial year	-	**-**
End of financial year (Note 30)	1	**1**

43. Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 July 2009 or later periods but which the group has not early adopted, as follows:

IFRS 8, 'Operating segments' replaces IAS 14 'Segment reporting' and sets out the requirements for disclosure of financial and descriptive information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply the revised standard from 1 July 2009.

Whilst the application of IFRS 8 may result in amendments to the segment information note accompanying the group financial statements, these amendments will not be of a recognition and measurement nature given the disclosure focus of the IFRS.

IAS 1 (Revised), 'Presentation of financial statements', (effective for financial periods beginning on or after 1 July 2009). This will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner (equity holders) changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The group is currently assessing the impact of this revision, but does not expect that it will have a material impact on the group.

IFRS 2 (Amendment) – 'Group cash-settled share-based payment transactions' is still subject to EU endorsement. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transactions. The amendment also incorporates the guidance contained in IFRIC 8 and IFRIC 11. As a result the IFRIC 8 and IFRIC 11 have been withdrawn. The group will adopt the amendment from 1 July 2010, subject to EU endorsement. We do not anticipate that the amendment will have a material impact on the group.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. The amendment is still subject to EU endorsement. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. We do not anticipate that the amendment will have a material impact on the group.

IAS 23 (Revised), 'Borrowing costs', (effective for financial periods beginning on or after 1 July 2009). This requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This is in line with the group's current policy and consequently the amendment will not impact on existing practice.

IAS 32 (Amendment), 'Financial instruments: **Presentation', and IAS 1 (Amendment)**, (effective for financial periods beginning on or after 1 July 2009), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. We do not anticipate that the amendment will have a material impact on the group.

IAS 39 (Amendment) – Eligible Hedged Items, "Financial Instruments: Recognition and Measurement", (effective for financial periods beginning on or after 1 July 2009). This amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portions of cash flows is eligible for designation should be applied. We do not anticipate that the amendment will have a material impact on the group.

IFRS 1 (Revised), 'First-time Adoption of International Financial Reporting Standards' is still subject to EU endorsement. The current IFRS 1 has been amended many times to accommodate first time adoption requirements of new and amended IFRSs, resulting in a more complex and less clear standard. This revised version retains the substance of the original standard but with a changed structure. The revised IFRS 1 is not applicable to the group as it has already adopted IFRS, however it would be applicable to other entities in the group should they transition to IFRS at a future date, subject to EU endorsement.

IFRS 1 (Amendment) 'First Time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements', (effective for financial periods beginning on or after 1 July 2009). The IFRS 1 (Amendment) removes the definition of the cost method for the investment in subsidiaries from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. We do not anticipate that the amendment will have a material impact on the group.

43. Standards, interpretations and amendments to published standards that are not yet effective - continued

IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for financial periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill on acquisitions from non-controlling interests or gains and losses on disposals to non-controlling interests. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 July 2010. We do not anticipate that the amendment will have a material impact on the group.

IFRS 3 (Revised), 'Business combinations', (effective for financial periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply this revised standard from the effective date but there will be no impact on the group's financial statements unless there is an acquisition.

Improvements to IFRS, (effective for financial periods beginning on various dates). The IASB has issued "Improvements to IFRS" which amends various standards. The improvements include changes in presentation, recognition and measurement, terminology and editorial changes. The group is currently assessing the impact of these improvements on its financial reporting, but currently does not anticipate that the improvements will have a material impact on the group's financial statements.

IFRIC 9 and IAS 39 (Amendments) – Embedded derivatives. The amendments are still subject to EU endorsement. The amendments extend the circumstances in which reassessment of whether an embedded derivative is required to be separated from a host contract and accounted for as a derivative and whether a reclassification out of the 'fair value through profit and loss' category is permitted. We do not anticipate that the amendment will have a material impact on the group.

IFRIC 15, 'Agreements for construction of real estates' is still subject to EU endorsement. The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. We do not anticipate that this interpretation will have a material impact on the group.

IFRIC 16, 'Hedges of a net investment in a foreign operation', (effective for financial periods beginning on or after 1 July 2009). This clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. This IFRIC is not currently applicable to the group.

IFRIC 17, 'Distributions of Non-cash Assets to Owners' is still subject to EU endorsement. This interpretation applies to transactions in which an entity distributes assets (other than cash) as dividends to its owners acting in their capacity as owners and how an entity should measure the dividend payable. The IFRIC also clarifies when an entity should recognise a dividend payable, i.e. when the dividend is appropriately authorised and no longer at the discretion of the entity. We do not anticipate that the interpretation will have a material impact on the group.

IFRIC 18, 'Transfer of Assets from Customers', (effective for financial periods beginning on or after 1 July 2009). This concerns agreements in which an entity receives items of property, plant and equipment from a customer that the entity must use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. This IFRIC is not currently applicable to the group.

44. Comparative amounts

Certain comparative figures have been re-grouped and re-stated where necessary on the same basis as those for the current financial year.

45. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 23 October 2009.