

**RTÉ**

**REGULATED ACCOUNTS**

**MARKET B**

**YEAR ENDED  
31 DECEMBER 2017**

## Regulated Accounts

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## Introduction

The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011), which revoked and replaced its predecessor 2003 (S.I. No. 307 of 2003), the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011, which revoked and replaced its predecessor S.I. No. 305 of 2003) (respectively "the Framework Regulations" and "the Access Regulations") establish the framework for the regulation of the provision of electronic communications networks and services in Ireland. Under this framework, the Commission for Communications Regulations (ComReg) may designate operators as having Significant Market Power (SMP) in respect of specific markets, in which case ComReg may impose on such operators a range of ex ante obligations including, pursuant to Regulation 11 of the Access Regulations and Regulation 13 of the Access Regulations, a requirement for accounting separation and cost accounting respectively RTÉ (or "the Company") has been designated with SMP in the market for wholesale access to DTT multiplexing services and accordingly is subject to obligations of accounting separation and cost accounting in this market. This market is referred to and defined as Market B in ComReg Decision No.11/13<sup>1</sup>.

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

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

As specified at Section 3 of Annex 1 Market B, Separated Accounts are required to be maintained by RTÉ in respect of Market B. This requires that Separated Accounts by RTÉ contain Regulated Accounts which consists of Historical Cost Accounts ("HCA"), Additional Financial Data and Accounting Documentation. The term "Market B Accounting Documentation" is further defined and detailed at Section 5 of Annex 1 Market B and shall explain the regulatory principles used and the methodologies applied for the purposes of preparing the regulated accounts and the additional financial data. This document sets out the Regulated Accounts for Market B and should be read in conjunction with the Accounting Documentation which is under separate cover.

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

Market	Market description
Market B	Market for Wholesale supply of Digital Terrestrial Television Multiplexing Services

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

**Introduction (continued)**

Market B is a wholesale market which is downstream from Market A, whereby RTÉ, the DTT Multiplex Operator, using wholesale inputs purchased in Market A combined with carriage on its own DTT multiplex supplies a managed digital multiplexing service.

The Regulated Accounts are prepared in accordance with the Accounting Documentation. The Accounting Documentation set out the framework under which the Regulated Accounts have been prepared, which is set out in the Decision Notice, insofar as they apply to the year ended 31 December 2017.

**Statement of Responsibility for preparing the Regulated Accounts Market B**

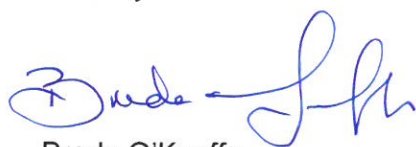
The European Communities (Electronic Communications Networks and Services) (Framework) Regulations 2011 (S.I. No. 333 of 2011) and the European Communities (Electronic Communications Networks and Services) (Access) Regulations 2011 (S.I. No. 334 of 2011) (respectively “the Framework Regulations” and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

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

In accordance with the Decision Instrument No. 11/13 a Suitably Qualified Person approved by the Board of RTÉ and ComReg is responsible for ensuring that RTÉ maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of RTÉ, and for properly preparing the Regulated Accounts, which are required to present fairly, in accordance with the Accounting Documentation and the Decision Instrument No.11/13 the results and Mean Capital Employed for Market B.

The Regulated Accounts for the year ended 31 December 2017 were prepared further to, and in accordance with Decision No.11/13.

I confirm that, to the best of my knowledge and in good faith, the Regulated Accounts for the year ended 31 December 2017 have been prepared in accordance with the requirements of the governing legislation. I also confirm that, to the best of my knowledge and in good faith the Regulated Accounts have been prepared in accordance with the Accounting Documentation for the year ended 31 December 2017.



Breda O'Keeffe  
RTÉ

25 April 2018





KPMG  
Audit  
1 Stokes Place  
St. Stephen's Green  
Dublin 2  
D02 DE03  
Ireland

## **Independent Auditors' Report to RTÉ and ComReg**

### **Report of the Independent Auditors to RTÉ ("the Company") and the Commission for Communications Regulation ("ComReg") issued in accordance with the Final Decision Instrument – Market B ("The Decision Instrument") issued on 26 July 2013**

We have audited the Regulated Accounts of Market B for the year ended 31 December 2017 which comprises the Market B Income Statement, the Market B Statement of Mean Capital Employed and the Notes to the Regulated Accounts.

The Regulated Accounts of Market B are prepared by the Company under the historical cost convention in accordance with the Final Decision Instrument – Market B ("The Decision Instrument") issued on 26 July 2013 and the Accounting Documentation dated 25 April 2018.

Our report has been prepared for the Company and ComReg solely in connection with the Decision Instrument. It has been released to the Company and ComReg on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent. This report, including the opinion, has been prepared for and only for the Company and ComReg, in accordance with the Decision Instrument, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body and ComReg, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of ComReg, RTÉ and the Auditors**

As explained more fully in the Responsibilities Statement set out on page 5, the Suitably Qualified Person is responsible for preparing the Regulated Accounts which are fairly presented in accordance with the Accounting Documentation and comply with the requirements of the Decision Instrument.

As explained in the Accounting Documentation and "Basis of Preparation" on page 10, the Regulated Accounts have been prepared by disaggregating balances recorded in the general ledger and other accounting records of RTÉ and its subsidiary undertaking RTÉ Transmission Network DAC (trading as 2rn), maintained by RTÉ in accordance with the provisions of broadcasting legislation and in so far as necessary to give a true and fair view the Companies Act 2014 and maintained by 2rn in accordance with the Companies Act 2014. The accounting records of RTÉ and 2rn are used, in accordance with those Acts and legislation, for the preparation of the RTÉ consolidated and 2rn statutory financial statements for the year ended 31 December 2017 ("together the Statutory Financial Statements"). The Regulated Accounts are separate from the statutory financial statements of RTÉ and 2rn and have not been prepared in accordance with International Financial Reporting Standards as endorsed by the EU ("IFRS").

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



## Scope of the audit of the Regulated Accounts

KPMG audited the Statutory Financial Statements for the year ended 31 December 2017 on which we expressed an unqualified audit opinion in accordance with our statutory obligations under broadcasting and companies legislation. In conducting our subsequent examination of the Regulated Accounts, and in providing the opinion below, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audit of the Statutory Financial Statements.

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

## Opinion on Regulated Accounts

In our opinion, the Regulated Accounts for Market B as a whole for the year ended 31 December 2017, have been fairly presented in accordance with the Accounting Documentation dated 25 April 2018, and comply with the requirements of the Decision Instrument.

## Other matter - basis of preparation

Without modifying our opinion, we draw attention to the Accounting Documentation which describes the basis of preparation of the Regulated Accounts. The Regulated Accounts are separate from the Statutory Financial Statements of RTÉ and 2rn and have not been prepared exclusively on the basis of IFRS. Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of RTÉ or 2rn as shown in Statutory Financial Statements prepared by RTÉ in accordance with the broadcasting legislation and in so far as is necessary to give a true and fair view the Companies Act 2014 and prepared by 2rn in accordance with the Companies Act 2014.

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

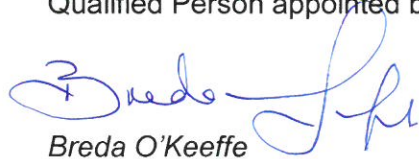
25 April 2018

**Income Statement**

Market B Regulated Accounts  
for the year ended 31 December 2017

	2017 €'000	2016 €'000
<b>Revenue</b>		
External Revenue	4,210	4,041
Internal Revenue – Intra	8,144	8,013
<b>Total External and Intra Revenue</b>	<b>12,354</b>	<b>12,054</b>
<b>Operating Costs</b>		
Intra market costs	(10,925)	(10,766)
Other operating costs	(795)	(1,070)
Mux promotional and end user support costs	(177)	(302)
Mux management and administration costs	(14)	(10)
<b>Total Operating Costs</b>	<b>(11,911)</b>	<b>(12,148)</b>
<b>Return</b>	<b>443</b>	<b>(94)</b>

The Market B Regulated Accounts were approved on 25 April 2018 by the Suitably Qualified Person appointed by the Board of RTÉ and approved by ComReg:



Breda O'Keeffe  
RTÉ

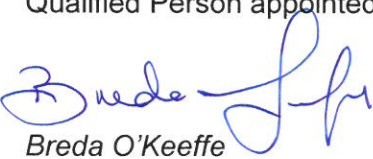


## Statement of Mean Capital Employed

Market B Regulated Accounts  
as at 31 December 2017

	2017 €'000	2016 €'000
<b>Non Current Assets</b>		
Property, Plant and Equipment	436	822
Intangible Assets	-	2
<b>Total Non Current Assets</b>	<u>436</u>	<u>824</u>
<b>Current Assets</b>		
Trade, other receivables, prepayments and accrued income	1,393	1,338
Cash and cash equivalents	49	74
<b>Total Current Assets</b>	<u>1,442</u>	<u>1,412</u>
<b>Total Assets</b>	<u>1,878</u>	<u>2,236</u>
<b>Current Liabilities</b>		
Liabilities and other payments	(1,396)	(1,365)
<b>Total Current Liabilities</b>	<u>(1,396)</u>	<u>(1,365)</u>
<b>Mean Capital Employed</b>	<u>482</u>	<u>871</u>

The Market B Regulated Accounts were approved on 25 April 2018 by the Suitably Qualified Person appointed by the Board of RTÉ and approved by ComReg:

  
Breda O'Keeffe  
RTÉ

## Notes to the Regulated Accounts

### Note 1

#### Definitions of the Markets

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

**Market B** is the wholesale market which operates downstream from Market A, whereby a DTT Multiplex Operator, using wholesale inputs purchased in Market A, combined with carriage on its own DTT multiplex supplies a managed digital multiplexing service to terrestrial Downstream TV Broadcasters enabling the transmission of their DTT broadcasting signals to end-users.

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

### Note 2

#### Basis of Preparation of Regulated Accounts

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

The purpose of Accounting Separation is to provide an analysis of information to reflect as closely as possible the performance of Market B as if it was operating as a separate business.

The Regulated Accounts have been prepared in accordance with the accounting policies as set out in the Statutory Financial Statements of 2rn and RTÉ ("the Statutory Financial Statements"), unless any specific deviation is required as a result of conforming to this documentation, together with the regulatory accounting principles and attribution methods as set out in the Accounting Documentation dated 25 April 2018.

The Statutory Financial Statements of 2rn and RTÉ have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) that are effective for the year ended 31 December 2017.

## Appendix I

### Business Review

Market B, *Wholesale supply of Digital Terrestrial Television Multiplexing Services* has come into scope for regulation following ComReg Decision No.11/13 dated 26 July 2013.

Results for the year show a surplus of €443,000. As noted in the Accounting Documentation costs and revenues in Market B will not equate for individual years of the five year Market B tariff period. It is however intended that over the five year period commencing 1 April 2014 the Return on Mean Capital employed for Market B will equate to 8.11% applicable as per ComReg Information Notice 15/03. The following table shows the return, mean capital employed and return on mean capital employed for each year:

<b>Year ended 31 December</b>	<b>Return</b>	<b>Mean Capital Employed</b>	<b>Return on Mean Capital Employed</b>
	<b>€'000</b>	<b>€'000</b>	
2013	36	1,401	2.57%
2014	(943)	1,914	(49.27%)
2015	(237)	1,455	(16.29%)
2016	(94)	871	(10.79%)
<b>2017</b>	<b>443</b>	<b>482</b>	<b>91.9%</b>

\*Five year Market B tariff period commenced 1 April 2014

Revenue increased by 2.5% in the year due to the full year impact of the service which commenced in July 2016 and changes in bit-rate usage for customers. Operating costs remain broadly static.