

RTÉ

REGULATED ACCOUNTS

MARKET B

**YEAR ENDED
31 DECEMBER 2020**

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.11/13¹.

Decision No.11/13¹ 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

¹ 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 2020.

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 2020 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 2020 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 2020.

Richard Collins

RTÉ



Date: 30 April 2021

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

Opinion

We have audited the non-statutory Regulated Accounts - Market B ("Market B") of RTÉ ("the Company"), which comprise the Statement of Mean Capital Employed as at 31 December 2020 and the Income Statement for the year ended and the notes to the Regulated Accounts – Market B.

In our opinion, the accompanying Regulated Accounts - Market B present fairly, in all material respects, the financial position of Market B as at 31 December 2020 and of its financial performance for the year then ended in accordance with the ComReg Decision No.11/13 and the relevant Decision Instrument i.e. Market B ("The Decision Instrument") issued on 26 July 2013 and the Primary Accounting Documentation dated 30 April 2021.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) including ISA (Ireland) 800. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Regulated Accounts – Market B section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Regulated Accounts – Market B in Ireland, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw your attention to the accounting policies contained in Note 2 of the Regulated Accounts - Market B, which describe the basis of accounting. The Regulated Accounts - Market B are prepared to assist RTÉ to comply with their regulatory reporting requirements to ComReg. As a result, the Regulated Accounts - Market B may not be suitable for other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than RTÉ's directors as a body and Comreg, for our audit work, for this report, or for the opinions we have formed. Our report is intended solely for RTÉ and Comreg and should not be distributed to or used by parties other than RTÉ or ComReg. Our opinion is not modified in respect of this matter.

Other Matter

The Company has prepared a separate set of statutory financial statements for the year ended 31 December 2020 in accordance with International Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of the Company dated 29 April 2021.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Introduction and Business Review, but does not include the Regulated Accounts – Market B and our auditor's report thereon. Our opinion on the Regulated Accounts – Market B does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulated Accounts – Market B, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulated Accounts – Market B or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are expected to report that fact.

We have nothing to report in this regard.

Suitably Qualified Person's & ComReg's Responsibility for the Regulated Accounts – Market B

The Suitably Qualified Person is responsible for the preparation and fair presentation of the Regulated Accounts – Market B in accordance with the financial reporting provisions of The Decision Instrument issued on 26 July 2013 and the Primary Accounting Documentation dated 30 April 2021, and for such internal control as the Directors determines is necessary to enable the preparation of Regulated Accounts – Market B that are free from material misstatement, whether due to fraud or error.

The Director's are responsible for overseeing the Company's financial reporting process.

Auditors Responsibilities for the Audit of the Regulated Accounts – Market B

Our objectives are to obtain reasonable assurance about whether the Regulated Accounts – Market B as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The nature, form and content of the Regulated Accounts – Market B and therefore their basis for preparation, is set out by ComReg to assist the Company in meeting its regulatory requirements. We make no assessment as to whether the basis of preparation, as set out on page 11 is appropriate or sufficient for the Company's purposes.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Regulated Accounts – Market B, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the overall presentation, structure and content of the Regulated Accounts – Market B, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Richard Howard

For and on behalf of Deloitte Ireland LLP

Chartered Accountants and Statutory Audit Firm

Dublin

Date 30 April 2021

Income Statement

Market B Regulated Accounts
for the year ended 31 December 2020

	2020 €'000	2019 €'000
Revenue		
External Revenue	3,568	3,764
Internal Revenue – Intra	7,761	8,017
Total External and Intra Revenue	11,329	11,781
Operating Costs		
Intra market costs	(10,197)	(10,250)
Other operating costs	(553)	(597)
Mux promotional and end user support costs	(160)	(261)
Mux management and administration costs	(26)	(82)
Total Operating Costs	(10,936)	(11,190)
Return	393	591

The Market B Regulated Accounts were approved on 30 April 2021 by the Suitably Qualified Person appointed by the Board of RTÉ and approved by ComReg:

Richard Collins
RTÉ

Statement of Mean Capital Employed

Market B Regulated Accounts
as at 31 December 2020

	2020 €'000	2019 €'000
Non Current Assets		
Property, Plant and Equipment	74	79
Total Non Current Assets	<u>74</u>	<u>79</u>
Current Assets		
Trade, other receivables, prepayments and accrued income	1,084	1,277
Cash and cash equivalents	71	48
Total Current Assets	<u>1,155</u>	<u>1,325</u>
Total Assets	<u>1,229</u>	<u>1,404</u>
Current Liabilities		
Liabilities and other payments	(1,195)	(1,353)
Total Current Liabilities	<u>(1,195)</u>	<u>(1,353)</u>
Mean Capital Employed	<u>34</u>	<u>51</u>

The Market B Regulated Accounts were approved on 30 April 2021 by the Suitably Qualified Person appointed by the Board of RTÉ and approved by ComReg:

Richard Collins
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 30 April 2021.

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 2020.

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 €393,000.

As noted in the Accounting Documentation costs and revenues in Market B will not equate for individual years of the five year Market B smoothed tariff period. It is however anticipated that over the five year period commencing 1 April 2019 the Return on Mean Capital employed for Market B will equate to 8.11% applicable in line with expectations as per ComReg Information Notice 15/03.

Revenue decreased by 4% in the year to changes the full year effect of the change in the regulated tariff and the new RTÉ services in 2019. Operating costs reduced by 2% in the year largely due to the reduction in mux promotional costs resulting from the Covid-19 restructuring in 2020.