

ERC Ireland Preferred Equity Limited

**Third quarter and nine-month results announcement
31 March 2010**

ERC Ireland Preferred Equity Limited

Reconciliation of earnings before interest, taxation, amortisation, depreciation, impairment, non-cash pension (credit)/charge, exceptional items and net construction income to operating profit

	Quarter ended March 2009 €'m	Quarter ended March 2010 €'m	Nine months ended March 2009 €'m	Nine months ended March 2010 €'m
Operating profit/(loss)	69	231	(506)	306
Net construction income	-	-	(6)	-
Exceptional items	4	(173)	8	(142)
Non-cash pension (credit)/charge	(3)	6	(7)	17
Operating profit/(loss) before non-cash pension (credit)/charge, exceptional items and net construction income	70	64	(511)	181
Depreciation	85	80	243	239
Amortisation	22	26	62	77
Goodwill impairment	-	-	720	-
EBITDA before non-cash pension (credit)/charge, exceptional items and net construction income	177	170	514	497
EBITDA before non-cash pension (credit)/charge, exceptional items and net construction income is split as follows:				
Fixed line	143	139	426	415
Mobile	34	31	88	82
	177	170	514	497

ERC Ireland Preferred Equity Limited

*Consolidated Income Statement - unaudited
For the Quarter ended 31 March 2010*

	31 March 2009	31 March 2010
	€'m	€'m
Revenue	488	455
Operating costs excluding amortisation, depreciation and exceptional items	(308)	(291)
Amortisation	(22)	(26)
Depreciation	(85)	(80)
Exceptional items	(4)	173
Operating profit	69	231
Finance costs	(92)	(77)
Finance income	1	-
Finance costs – net	(91)	(77)
(Loss)/profit before tax	(22)	154
Income tax charge	(9)	(10)
(Loss)/profit for the period	(31)	144

The accompanying notes form an integral part of the condensed interim financial information.

ERC Ireland Preferred Equity Limited

*Consolidated Income Statement - unaudited
For the nine-month period ended 31 March 2010*

	Notes	<u>31 March 2009</u>	<u>31 March 2010</u>
		€'m	€'m
Revenue	3	1,518	1,388
Operating costs excluding amortisation, depreciation, goodwill impairment and exceptional items		(997)	(908)
Amortisation		(62)	(77)
Depreciation		(243)	(239)
Goodwill impairment	7	(720)	-
Exceptional items	4	(8)	142
Net construction income		6	-
Operating (loss)/profit	3	(506)	306
Finance costs		(349)	(191)
Finance income		9	2
Finance costs – net	5	(340)	(189)
Share of profit of associates		2	-
(Loss)/profit before tax		(844)	117
Income tax charge	6	(17)	(11)
(Loss)/profit for the period		(861)	106

The accompanying notes form an integral part of the condensed interim financial information.

ERC Ireland Preferred Equity Limited

Consolidated Balance Sheet - unaudited
As at 31 March 2010

	Notes	30 June 2009 €'m	31 March 2010 €'m
Assets			
Non-current assets			
Goodwill	7	1,622	1,622
Other intangible assets		729	689
Property, plant and equipment		2,077	1,950
Retirement benefit asset	10	-	56
Deferred tax assets		13	-
Other assets		3	2
		4,444	4,319
Current assets			
Inventories		10	13
Trade and other receivables	8	342	293
Receivables due from group undertakings and related parties		12	9
Financial assets at fair value through income statement		8	-
Other assets		24	22
Restricted cash		7	7
Cash and cash equivalents		336	267
		739	611
Total assets		5,183	4,930
Liabilities			
Non-current liabilities			
Borrowings	9	4,050	4,070
Derivative financial instruments		70	67
Trade and other payables		53	55
Deferred tax liabilities		205	196
Retirement benefit liability	10	109	-
Provisions for other liabilities and charges	11	198	180
		4,685	4,568
Current liabilities			
Borrowings	9	109	55
Derivative financial instruments		71	82
Trade and other payables		708	506
Inter-company payables to group undertakings		3	8
Current tax liabilities		24	33
Provisions for other liabilities and charges	11	76	87
		991	771
Total liabilities		5,676	5,339
Equity			
Equity share capital		2	2
Share premium account		447	447
Revaluation reserve		3	3
Cash flow hedging reserve		(51)	(73)
Retained loss		(894)	(788)
Total equity		(493)	(409)
Total liabilities and equity		5,183	4,930

The accompanying notes form an integral part of the condensed interim financial information.

ERC Ireland Preferred Equity Limited

*Consolidated cash flow statement - unaudited
For the Quarter ended 31 March 2010*

	31 March 2009	31 March 2010
	€'m	€'m
Cash flows from operating activities		
Cash generated from operations	128	113
Interest received	1	-
Interest paid	(84)	(78)
Income tax refund	-	18
Income tax paid	(2)	-
Dividends paid to preference shareholders	(1)	-
Net cash generated from operating activities	42	53
Cash flows from investing activities		
Purchase of property, plant and equipment (PPE)	(63)	(45)
Proceeds from sale of PPE and investments	1	-
Purchase of intangible assets	(10)	(7)
Net cash used in investing activities	(72)	(52)
Cash flows from financing activities		
Repayment of borrowings	(19)	(19)
Proceeds from loan borrowings	9	3
Debt issue costs paid	(1)	-
Net cash used in financing activities	(11)	(16)
Net decrease in cash, cash equivalents and bank overdrafts	(41)	(15)
Cash, cash equivalents and bank overdrafts at beginning of period	285	280
Cash, cash equivalents and bank overdrafts at end of period	244	265

The accompanying notes form an integral part of the condensed interim financial information.

ERC Ireland Preferred Equity Limited

*Consolidated cash flow statement - unaudited
For the nine-month period ended 31 March 2010*

	Notes	<u>31 March 2009</u>	<u>31 March 2010</u>
		€'m	€'m
Cash flows from operating activities			
Cash generated from operations	12	587	404
Interest received		10	1
Interest paid		(230)	(185)
Income tax refund		-	20
Income tax paid		(2)	(14)
Dividends paid to preference shareholders		(3)	-
Net cash generated from operating activities		362	226
Cash flows from investing activities			
Dividend received from associate undertaking		2	-
Purchase of property, plant and equipment (PPE)		(242)	(182)
Proceeds from sale of PPE and investments		4	-
Purchase of intangible assets		(28)	(36)
Net cash used in investing activities		(264)	(218)
Cash flows from financing activities			
Repayment of borrowings		(221)	(92)
Lease payments		(2)	(1)
Proceeds from loan borrowings		17	16
Debt issue costs paid		(1)	-
Net cash used in financing activities		(207)	(77)
Net decrease in cash, cash equivalents and bank overdrafts		(109)	(69)
Cash, cash equivalents and bank overdrafts at beginning of period		353	334
Cash, cash equivalents and bank overdrafts at end of period		244	265

The accompanying notes form an integral part of the condensed interim financial information.

ERC Ireland Preferred Equity Limited

Consolidated statement of changes in shareholders' equity – unaudited
For the nine-month period ended 31 March 2010

	Equity share capital €'m	Share premium account €'m	Revaluation €'m	Cash flow hedging reserve €'m	Retained profit/(loss) €'m	Total equity €'m
Balance at 30 June 2008	2	447	3	63	(43)	472
Cash flow hedge:						
- Fair value loss in period	-	-	-	(119)	-	(119)
- Transfer to income statement	-	-	-	(26)	-	(26)
- Tax on reserve movements	-	-	-	26	-	26
Net expense recognised directly in equity	-	-	-	(119)	-	(119)
Loss for the period	-	-	-	-	(861)	(861)
Total recognised expense for the period	-	-	-	(119)	(861)	(980)
Balance at 31 March 2009	2	447	3	(56)	(904)	(508)
Balance at 30 June 2009	2	447	3	(51)	(894)	(493)
Cash flow hedge:						
- Fair value loss in period	-	-	-	(49)	-	(49)
- Transfer to income statement	-	-	-	24	-	24
- Tax on reserve movements	-	-	-	3	-	3
Net expense recognised directly in equity	-	-	-	(22)	-	(22)
Profit for the period	-	-	-	-	106	106
Total recognised (expense)/income for the period	-	-	-	(22)	106	84
Balance at 31 March 2010	2	447	3	(73)	(788)	(409)

The accompanying notes form an integral part of the condensed interim financial information.

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

1. General information

ERC Ireland Preferred Equity Limited ('the Company'), and its subsidiaries together, ('the Group') provide fixed line and mobile telecommunications services in Ireland. ERC Ireland Preferred Equity Limited ("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, Uglund House, South Church Street, Grand Cayman, Cayman Islands.

This condensed consolidated interim financial information was approved for issue on 27 May 2010.

2. Basis of preparation

The financial information, as at and for the period ended 31 March 2010, in respect of the group has been prepared using the same accounting policies as applied for the year ended 30 June 2009. For a more complete discussion of our significant accounting policies and other information, including our critical accounting judgements and estimates, this report should be read in conjunction with the financial statements of ERCIPE for the year ended 30 June 2009.

This financial information has been prepared to meet the group's commitment to make available certain unaudited condensed consolidated financial information to the holders of the group's Floating Rate Senior PIK Notes. Accordingly, the group has not prepared this financial information in accordance with IAS 34 – "Interim Financial Information" and has not carried out an impairment review of the carrying value of goodwill and other non-current assets as at 31 March 2010.

After making appropriate enquiries and on the basis of current financial projections and debt facilities available, the Directors believe that the group has adequate resources to meet the group's financial needs and obligations for the foreseeable future. Therefore the Directors consider it appropriate to adopt the going concern basis in preparing the financial information.

3. Segment information

The group provides communications services, principally in Ireland. The group is organised into two main operating segments fixed line and mobile.

The segment results for the nine months ended 31 March 2010 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,079	351	(42)	1,388
Exceptional items – net gain	142	-	-	142
Operating profit	306	-	-	306

The segment results (restated) for the nine months ended 31 March 2009 are as follows:

	Fixed line €'m	Mobile €'m	Inter-segment €'m	Group €'m
Revenue	1,186	375	(43)	1,518
Goodwill impairment	(405)	(315)	-	(720)
Exceptional items – net loss	(8)	-	-	(8)
Operating loss	(207)	(299)	-	(506)

Revenue and operating costs for certain activities have been reclassified from the fixed line to mobile and the prior period comparatives have been restated to reflect this change.

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited (continued)

4. Exceptional items

	Restated 31 March 2009 €'m	31 March 2010 €'m
Curtailment and past service gains in respect of pensions	-	184
Impairment of surplus properties	-	(18)
Other exceptional items	(8)	(24)
	(8)	142

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. 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 exceptional items.

Curtailment and past service gains in respect of pensions

During the quarter ended 31 March 2010, the group and the Trade Union Alliance agreed a number of significant measures designed to eliminate the deficit on eircom's Defined Benefit Pension scheme. The measures included a freeze on pensionable pay up to 31 December 2013 and imposed limits on increases in salary qualifying for pension purposes thereafter. These changes have been treated as a curtailment and past service gains under IAS 19.

The resulting exceptional reduction in the defined benefit obligation recognised of €184 million has been included in the income statement for the period.

Further information on the pension scheme is included in Note 10.

Impairment of surplus properties

The group incurred impairment charges of €18 million in the nine months ended 31 March 2010 (31 March 2009: €Nil) in respect of a small number of surplus properties, which have been identified for future disposal. The charge reflects a further decline in the fair value of properties and additional properties no longer in use in the fixed line business at 31 December 2009. No impairment reviews have been performed subsequent to 31 December 2009.

Other exceptional items

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 sufficient to meet all of the lease obligations. Provision has been made in respect of the estimated cash outflow required to settle the group's obligation under these leases.

The group has included an exceptional charge of €11 million for onerous contracts, €9 million in respect of the settlement of certain legal matters and €4 million for lease restoration and other costs in the nine months ended 31 March 2010 (31 March 2009: €8 million onerous contracts).

5. Finance costs – net

	31 March 2009 €'m	31 March 2010 €'m
Finance costs	(349)	(191)
Finance income	9	2
Finance costs – net	(340)	(189)

In the nine months ended 31 March 2010, finance costs includes a €17 million credit (31 March 2009: €102 million charge) to reflect movements in the fair value of derivatives, which did not qualify for hedge accounting during the period.

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited (continued)

6. Income tax charge

Reconciliation of effective tax rate

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

	31 March 2009 €'m	31 March 2010 €'m
(Loss)/Profit before tax	(844)	117
Tax calculated at Irish standard tax rate of 12.5%	(105)	15
<i>Effects of:-</i>		
Goodwill impairment – non deductible	90	-
Other non deductible expenses	26	12
Effect of changes in tax rates	8	-
Adjustment in respect of prior periods	(2)	(16)
Tax charge for the period	17	11

The tax charge for the period includes a deferred tax charge of €23 million in respect of the pension curtailment and past service gains recognised in the period.

7. Goodwill

	30 June 2009 €'m	31 March 2010 €'m
Opening balance	2,342	2,342
Disposals	-	-
At end of financial period	2,342	2,342
Accumulated impairments	(720)	(720)
At end of financial period	(720)	(720)
Net book value at end of financial period	1,622	1,622

Goodwill is not subject to amortisation. Goodwill is carried at cost less accumulated impairment losses.

Impairment testing results

At 31 December 2008, the group tested 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 reflected 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. No impairment test has been performed since 30 June 2009.

8. Trade and other receivables

During the nine months ended 31 March 2010, the group recognised a provision for impaired receivables of €18 million (31 March 2009: €10 million), reversed provisions for impaired receivables of €1 million (31 March 2009: €Nil) and utilised provisions for impaired receivables of €11 million (31 March 2009: €4 million). The creation and reversal of provisions for impaired receivables have been included in "operating costs" in the income statement.

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited (continued)

9. 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 31 March 2010					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	594	594
Other borrowings	43	93	1,492	1,595	3,223
Debt issue costs	(12)	(13)	(32)	(9)	(66)
Finance leases – defeased	22	-	-	-	22
Bank overdraft	2	-	-	-	2
	55	80	1,460	2,530	4,125
As at 30 June 2009					
Floating rate notes due 2016	-	-	-	350	350
Floating rate senior PIK notes due 2017	-	-	-	559	559
Other borrowings	95	47	342	2,814	3,298
Debt issue costs	(13)	(13)	(35)	(15)	(76)
Finance leases – defeased	24	1	-	-	25
Finance leases	1	-	-	-	1
Bank overdraft	2	-	-	-	2
	109	35	307	3,708	4,159

Other borrowings, at 31 March 2010, include borrowings under a Senior Credit Facility of €3,180 million (30 June 2009: €3,272 million) and our share of borrowings in respect of our joint venture, Tetra Ireland Communications Limited ("Tetra"), of €43 million (30 June 2009: €26 million).

Interest accrued on borrowings at 31 March 2010 is €8 million (30 June 2009: €37 million). This is included in trade and other payables.

10. Pensions

The group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature. The group has applied the corridor approach, which leaves some actuarial gains and losses unrecognised as permitted by IAS 19. The corridor approach has been applied from the acquisition date of eircom Group, 18 August 2006.

Pension scheme obligation

The status of the principal scheme at 31 March 2010 is as follows:

	30 June 2009 €'m	31 March 2010 €'m
Present value of funded obligations	(2,636)	(2,566)
Fair value of scheme assets	2,201	2,615
(Benefit obligation in excess of scheme assets)/ Scheme assets in excess of benefit obligation	(435)	49
Unrecognised actuarial losses	326	7
(Liability)/asset recognised in the balance sheet	(109)	56

As the group has adopted the corridor approach unrecognised actuarial gains and losses outside the corridor are recognised over the expected average remaining working lives of the employees based on the unrecognised actuarial gains and losses at the start of the financial year (i.e. 1 July 2009). Consequently, the pension asset included in the group's balance sheet includes unrecognised actuarial losses of €7 million and the asset recognised in the balance sheet is €56 million compared to the actual scheme assets in excess of benefit obligation of €49 million.

The changes in unrecognised actuarial losses of €319 million since 30 June 2009 includes:

- actuarial gains of €296 million arising from changes in actuarial assumptions in respect of rate of increase in salaries/pensions in payment;
- actuarial losses of €309 million arising from changes in the discount rates used to determine the present value of funded obligations;
- other experience gains on liabilities of €12 million;
- actuarial gains of €315 million in relation to differences between the actual and expected gain on plan assets;
- amortisation of actuarial losses of €5 million.

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited (continued)

10. Pensions - continued

During the period, changes to prospective pension benefits under the group's main defined benefit scheme agreed with the Trade Union Alliance also resulted in a reduction in the present value of funded obligations. The measures included a freeze on pensionable pay up to 31 December 2013 and imposed limits on increases in salary qualifying for pension purposes thereafter. An exceptional non-cash credit of €184 million was recognised immediately through the income statement, comprising of a curtailment gain of €66 million and negative past service cost of €118 million.

Assumptions of actuarial calculations

The main financial assumptions used in the valuations were:

	At 30 June 2008	At 30 June 2009	At 31 March 2010
Rate of increase in salaries	3.50%	2.80% ⁽¹⁾	2.00% - 2.20% ⁽²⁾
Rate of increase in pensions in payment	3.50%	2.80% ⁽¹⁾	2.00% - 2.20% ⁽²⁾
Discount rate	6.25%	5.75%	5.15%
Inflation assumption	2.50%	2.00%	2.20%

(1) The assumptions at 30 June 2009 reflected the agreed pay freeze up to 30 June 2011 with the stated rate applying thereafter.

(2) The assumptions at 31 March 2010 reflect the agreed pay freeze up to 30 June 2011, the agreed freeze on pensionable pay up to 31 December 2013 and the imposition of a cap on the increases in pensionable pay thereafter to the lower of CPI, salary inflation or agreed fixed annual rates.

Mortality assumptions used at 30 June 2009 were still applicable at 31 March 2010. Details of mortality assumptions are set out in the annual report and financial statements of ERCIPE for the year ended 30 June 2009.

11. Provisions for other liabilities and charges

	TIS Annuity Scheme €'m	Onerous Contracts €'m	Restruc- turing €'m	Other €'m	Total €'m
At 30 June 2009	95	40	50	89	274
Charged to consolidated income statement:					
- Additional provisions	-	11	-	14	25
- Unwinding of discount	2	1	-	1	4
- Change in discount rate	3	-	-	-	3
Transfer to retirement benefit liability	-	-	(2)	-	(2)
Increase in provision capitalised as asset retirement obligation	-	-	-	3	3
Utilised in the financial period	(16)	(4)	(12)	(8)	(40)
At 31 March 2010	84	48	36	99	267

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

	30 June 2009 €'m	31 March 2010 €'m
Non-current	198	180
Current	76	87
	274	267

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

12. Cash generated from operations

	31 March 2009 €'m	31 March 2010 €'m
(Loss)/profit after tax	(861)	106
Add back:		
Income tax charge	17	11
Share of profit of associates	(2)	-
Finance costs – net	340	189
Operating (loss)/profit	(506)	306
Adjustments for:		
- Net construction income	(6)	-
- Goodwill impairment	720	-
- Depreciation, amortisation and other impairments	305	334
- Non cash retirement benefit curtailment and past service gains	-	(184)
- Other non cash retirement benefit (credit)/charge	(7)	17
- Other non cash movements in provisions	13	25
Cash flows relating to restructuring, onerous contracts and other provisions	(24)	(51)
Cash flows relating to construction contract	124	(1)
Changes in working capital		
Inventories	(2)	(3)
Trade and other receivables	17	48
Trade and other payables	(54)	(95)
Inter-company payables to group undertakings (net)	7	8
Cash generated from operations	587	404

13. Contingent liabilities

The proceedings taken by Towercom Holdings Limited were settled during the period and the proceedings were struck out in the quarter ended 31 March 2010.

Dali Properties Limited issued High Court proceedings against Meteor Mobile Communications Limited on 7 May 2010. The High Court Plenary Summons seeks a declaration that Meteor Mobile Communications Limited has not validly exercised a Break Option pursuant to a lease agreement between Dali Properties Limited and Meteor Mobile Communications Limited, with an annual lease charge of €0.4 million for a period of 25 years from 8 March 2006, and seeks a declaration that Meteor Mobile Communications Limited remains a tenant to Dali Properties Limited under the said lease. It also seeks arrears of rent and service charge in the sum of €0.4 million under the said lease, as well as damages for breach of contract and costs. The claim is being investigated.

There have been no other material changes in our contingent liabilities since the filing of the annual report and financial statements of ERCIPE for the year ended 30 June 2009.

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

14. 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 €3.7 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 €3.3 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 ERC Ireland Holdings Limited ("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 general senior obligations of ERCIF and rank equally in right of payment with all existing and future senior indebtedness of ERCIF. 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 €594 million are senior obligations of ERCIFE and rank equally in right of payment with all existing and future senior indebtedness of ERCIFE. These Notes are effectively subordinated to any existing and future indebtedness of ERCIFE's subsidiaries.

15. Seasonality

Fixed line

eircom's traffic volumes tend to decline during December and March or April as a result of a decline in business traffic over the Christmas and Easter holiday periods. eircom also tend to experience relatively higher fixed line traffic volumes in the Spring and Winter months, other than Christmas and Easter of each year. The group does not believe this seasonality has a material impact on our fixed line business.

Mobile

The group's mobile business tends to experience an increase in sales volumes in the weeks approaching Christmas due to the seasonal nature of its retail business. The group's mobile business experiences significant prepaid subscriber growth and related costs of handset subsidies and commissions in November and December. Visiting-roaming revenues are also seasonally significant because Ireland is a popular tourist destination during the summer months.

16. Commitments

Operating lease commitments

The group's operating lease contractual obligations and commitment payments were €451 million at 31 March 2010 (30 June 2009: €473 million). The payments due on operating leases are in respect of lease agreements in respect of properties, vehicles, plant and equipment for which the payments extend over a number of years.

Capital commitments

The group's capital contractual obligations and commitment payments were €36 million at 31 March 2010 (30 June 2009: €82 million).

ERC Ireland Preferred Equity Limited

Selected notes to the condensed interim financial information – unaudited

17. Related party transactions

The following transactions occurred with related parties:

During the period ended 31 March 2010, the group provided transmission and infrastructure services and recharged operating costs incurred on behalf of Tetra of €4.5 million (31 March 2009: €3.4 million). The gross amount outstanding in respect of these costs is €3 million at 31 March 2010 (30 June 2009: €2.5 million).

During the period ended 31 March 2010, the group paid €0.4 million (31 March 2009: €0.3 million) on behalf of the Employee Share Ownership Trust (ESOT) for the administrative expenses incurred in its capacity as trustee of the ESOT and the Approved Profit Share Scheme (APSS). These were recharged to ERC ESOT Services Limited. The amount outstanding in respect of these costs is €0.2 million at 31 March 2010 (30 June 2009: €1.3 million).

During the period ended 31 March 2010, the group recharged costs paid on behalf of ERCIE of €Nil (31 March 2009: €Nil). The amount outstanding in respect of costs recharged in prior periods is €7 million at 31 March 2010 (30 June 2009: €9 million).

The income statement includes management charges from ERCIE of €7.6 million (31 March 2009: €7.2 million). The amount outstanding in respect of these costs is €7.6 million at 31 March 2010 (30 June 2009: €3.2 million).

The income statement includes salary-related charges from BCM Enterprises Limited of €Nil (31 March 2009: €0.3 million). There are no amounts outstanding in respect of these costs at 31 March 2010 (30 June 2009: €Nil).

18. Comparative information

Certain comparative information have been regrouped and restated in accordance with the presentation adopted in the current financial period.