Arqiva Limited

Registered number 02487597

Annual Report and Financial Statements

For the year ended 30 June 2012

Table of Contents

Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Limited, registered company number 02487597, ('the Company') submit the following annual report and audited financial statements ('financial statements') in respect of the year ended 30 June 2012

Business review and principal activities

The Company operates within the Arqiva Broadcast Holdings Limited ('ABHL') group ('the Group') of companies

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental to mobile network operators, media services and radio communications in the United Kingdom ('UK') and satellite services in the UK, Europe and the United States of America ('USA')

The Group has structured its business into three customer facing business units, supported by an operations division and central corporate functions The business units within the Group comprise

- Broadcast and Media ('B&M') is the sole provider of transmission services for all UK terrestrial TV broadcasters, reaching over 20 million homes and covering 98 5% of the population B&M operates the new networks built for the Digital Switch Over ('DSO') Transmission is also provided for BBC Radio and most commercial radio stations The satellite element of the business unit provides global communication platforms to enterprise, government and broadcast customers around the world It owns and operates teleports at key locations, as well as owning an international terrestrial fibre network and extensive media facilities and leasing satellite capacity These enable the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media across the globe

- Government, Mobile and Enterprise ('GME') provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets Arqiva is the largest independent provider of wireless tower sites in the UK and Ireland With its own spectrum, the Group can provide complete mobile communications networks including backhaul links

- Digital Platforms is the Group's multiplex business which owns and operates two of the three main commercial digital terrestrial TV multiplexes, enabling major media companies to bring their TV and radio services to the Freeview platform

- The Business Operations division provides engineering, delivery, monitoring and maintenance services to the whole of the Group, their focus being on service and efficiency

- Central corporate functions include Strategy and Business Development, Finance, Legal and Commercial and Human Resources During the year, the Group has significantly strengthened these areas in order to support the focus on strategic and business development, financial planning, efficiency, procurement and treasury activities

The Group's radio and TV broadcast operations are a regulated business These are regulated by the Office of Communications ('Ofcom') on behalf of the customers The areas of the business impacted by this regulation are B&M and Business Operations

The Company operates within the B&M and GME customer facing business units and also provides the Business Operations and Central corporate functions on behalf of all Group companies

As a capital intensive infrastructure business that provides radio and TV transmission services as well as site sharing for the mobile operators, Arqiva benefits from having a significant number of long term contracts with its customers However, two key market changes are having a significant impact on the business The first is the move from analogue to digital transmission technology The second is the network consolidation in the mobile sector

Terrestrial transmission services in the UK are transitioning from analogue and low power digital transmission service to a high power digital transmission service The Group is delivering a significant and complex engineering project (DSO) to provide Digital Terrestrial Television ('DTT') transmission services nationwide The programme is currently running within plan parameters, with thirteen of the fifteen regions fully digital as at 30 June 2012 92% of all sites have now switched over providing digital television coverage to 90% of the total UK population as at 30 June 2012 The switchover events for the remaining 2 regions, Tyne Tees and Northern Ireland, were successfully completed since year end

The construction of this high power digital network has been financed by Arqiva, supported by long term contracts with key broadcasters, including the BBC, that are all over 20 years in length and have significantly boosted the order book of the Group

This project has also benefited the Digital Platforms business unit which has had another strong year The business unit has extended contracts with existing customers and found new customers for the increased number of channels resulting from enhanced compression technology and the roll out of high power digital services, increasing revenue and earnings as a result

During the year, Arqiva has been working closely with the mobile network operators as they seek to reduce their costs by network consolidation In 2012, the Group strengthened its position as a key supplier in this market by agreeing revised terms on long term contracts with a number of mobile network operators to ensure it is at the heart of the mobile operators' consolidation plans Arqiva continues to work with the other mobile operators as they conclude the planning phase of their network consolidation

The satellite business remains extremely competitive During 2012, Arqiva has focussed on reducing the cost base of the business by consolidating sites and infrastructure resulting in a more efficient and effective business going forward

With the TV Digital Switchover project coming to an end and consolidation in the mobile sector moving towards a successful conclusion, Arqiva is now turning its attention to pursuing opportunities that will drive substantial revenue growth in the future The executive management team has been strengthened to give the company a more customer focussed approach and significant investment has been made in strengthening the Strategy and Product teams

The Group is now working on a number of substantial opportunities including

- The national Smart Metering procurement run by the Department of Energy and Climate Change via involvement in the SmartReach consortium which comprises Arqiva, BT, BAE Systems, Detica and Sensus,
- Expansion of the wholesale mobile data offering, supported by the Group's acquisition of Spectrum Interactive Limited This deal enables Arqiva to accelerate growth in this area by acquiring a well regarded and sizeable independent Wi-Fi portfolio providing a highly scalable platform across the market This therefore places Arqiva in a strong position to capitalise on the rapidly increasing demand for mobile data services, and
- Growth in Broadcast in such areas as local TV, radio Digital Switchover and usage of the 600 MHZ and 700 MHZ spectrum

The main elements of the Group's growth strategy are set out under the future developments section below

In 2012, the Company delivered increased revenues of £512,928,000 (2011 £461,614,000), with a gross profit of £286,876,000 (2011 £233,916,000) and increased operating profit of £156,115,000 (2011 £127,999,000)

Key performance indicators

The key measure of the Group's and Company's performance is EBITDA EBITDA is defined as operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items but after non-interest finance costs including bank charges EBITDA for the year ended 30 June 2012 is £232,449,000 (2011 £192,199,000) an increase of 20 9%

A reconciliation of the reported EBITDA of the Company to the financial statements is provided below

	Year ended 30 June 2012 £'000
Operating profit before exceptional items	174,524
Depreciation of fixed assets	52,064
Amortisation	5,657
Other (including loss on disposal of fixed assets and non-interest finance costs including bank charges)	204
EBITDA	**232,449**

Other significant KPIs for the Group are the level of network availability across both TV and radio infrastructure and project milestones on significant contracts which are monitored regularly The target combined network availability for the Group is 99 94% and the actual network availability achieved was 99 98% during the year to 30 June 2012 In addition, the Group's own TV multiplexes have a target availability of 99 95% and the actual availability achieved was 99 99% during the year

Business environment

The Group is the sole owner and operator of the UK's nationwide terrestrial TV infrastructure and the major owner and operator of the UK's radio infrastructure The Group's activities are key to the technological evolution from analogue to digital based services and critical to all terrestrial TV and Radio broadcasters

The Group is responsible for delivery of the DSO engineering project The investment in this project is secured by long-term fixed or RPI linked contracts out as far as 2034 with high quality counterparties such as the BBC and ITV, securing long-term revenues Terrestrial TV remains the platform of choice in the UK and at completion of the programme it will cover 98 5% of the population

Arqiva's satellite infrastructure provides excellent levels of connectivity, reliability and security, earning the prestigious title of the World Teleport Association's 'Teleport Operator of the Year 2011' Arqiva owns, manages and operates teleports and media hubs at key locations, plus comprehensive satellite capacity, multiplexes and an international fibre network

The Group is the UK's largest independent provider of wireless towers which are critical to mobile network operators' contractual obligations to provide national coverage Revenue from the Group's tower portfolio is secured by contracts with all of the largest UK mobile operators The mobile industry is experiencing continued network consolidation amongst the mobile network operators, however significant growth in demand for mobile data is expected to fuel continued investment in mobile infrastructure Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services Planning restrictions create high barriers to entry The anticipated release of spectrum for use in the mobile market is also expected to drive growth in revenue

The Group holds spectrum licences for two of the three main commercial digital terrestrial TV multiplexes, selling space for channel programming on the Freeview platform Since 2004, this has run at circa 99% utilisation with customers including Film4 and UKTV Channel contracts vary in length but are usually between three and five years duration

Post balance sheet event

On 2 July 2012, the Group announced that it had agreed terms with the Board of Spectrum Interactive Limited ('Spectrum Interactive'), a leading UK based Wi-Fi operator, for an offer to acquire 100% of the shares On 30 July 2012, the offer was declared unconditional in all respects The acquisition was completed by ABHL and on 1 October 2012 the Company acquired 100% of the issued share capital of Spectrum Interactive from ABHL for a total cash consideration of £24,119,000

The acquisition of Spectrum Interactive will enable the Group to build a unique proposition for Wi-Fi hotspot provision in the UK and gives the business 15,500 access points in over 2,100 premium Wi-Fi locations across hotels, restaurants and leisure outlets as well as airports, airline lounges, motorway service station and public locations on high streets When combined with the Group's existing Wi-Fi and cellular assets it gives the Group a highly scalable platform for meeting the growing demand for wholesale mobile data services

Spectrum Interactive has become part of the GME business unit

During September 2012, the Company acquired 100% of the share capital of Connect TV Limited The Connect TV platform enables broadcasters and content owners to use the internet to provide new channels and services to the fast growing connected TV market Consideration paid was £3,700,000 and after allowing for other acquisition costs and an estimated fair value of net assets acquired, this acquisition gave rise to a goodwill balance of £3,672,000

Connect TV Limited has become part of the Digital Platforms business unit

Principal risks and uncertainties facing the business

The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the ABHL annual report, a copy of which is available from the address given in note 28 to these financial statements

Dividends and transfers to reserves

The Company paid an interim dividend of £85,000,000 (2011 £85,000,000), on 6 December 2011 An additional interim dividend of £144,000,000 (2011 £nil) was paid 14 May 2012 There has been no final dividend declared

The profit for the year of £165,124,000 (2011 £119,797,000) was transferred to reserves

Going concern

Despite having net current liabilities, the Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future

ABHL has confirmed its current intention that it will, to the extent it is able, provide such financial assistance to the Company to allow it to meet its liabilities as they fall due Additionally, it is not ABHL's current intention to procure or require its subsidiaries to call for repayment of any intra-group loans and creditors between these subsidiaries and the Company at any time to the extent that such repayment would reasonably be expected to result in the Company being unable to pay its creditors when they fall due

The Company has inter-company agreements with Arqiva Financing No 1 Limited ('AF1'), Arqiva UK Broadcast Holdings Limited ('AUKBH'), Arqiva Telecoms Investment Limited ('ATIL'), Arqiva Holdings Limited ('AHL'), Arqiva Services Limited ('ASL'), Lattice Telecommunications Asset Development Company Limited ('TADCO') and Arqiva No 2 Limited These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent

Future developments

It is the intention of the Company to continue to operate and invest in communications infrastructure

During the year significant investment has been made in strengthening the Strategy and Product teams with a particular focus on

- Maximising the value of each of the strong core businesses,
- Investing in the future of DTT by supporting ventures such as YouView,
- Investing in the growth of mobile data
- Investing in other growth opportunities that leverage the Group's existing assets, and
- Simplifying and standardising to reduce costs and drive efficiencies

Creditor payment policy

The Company seeks to treat all of its suppliers fairly and it is the Company's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations Trade creditor days are 43 days (2011 66 days)

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk, cash flow interest rate risk and foreign exchange risk The Company's overall risk management programme seeks to minimise potential adverse effects as noted below

Price risk
Energy is a major component of the Company's cost base A large proportion of this is managed via pass-through arrangements to customers The Company's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements up to 18 months in advance

Credit risk
The Company is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers, higher risk customers paying in advance of services being provided, and the generally low risk nature of the majority of the customer portfolio

Liquidity risk
The Company is funded through reserves and inter-company debt The Company has inter-company agreements with AF1, AUKBH, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent

Foreign exchange risk
The Company operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is low Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place During the year, forward foreign exchange contracts were used to fix the exchange rate for certain overseas revenue contracts

Cash flow interest rate risk
Inter-company loan balances are interest free or at a fixed interest rate Where a floating rate applies to finance balances the Company reassesses this in the context of longer term interest rate trends

Environment

The Company is committed to complying with all applicable environmental legislation and has assessed the environmental impact of its activities products and services and aims to reduce any negative impacts through active environment management The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001

Energy consumption is a key area of interest for the Group and Arqiva has launched a new Energy policy which reflects the Company's commitments to

- Improve energy efficiency,
- Reduce energy consumption,
- Invest in energy efficient technology,
- Purchase energy effectively, and
- Monitor carbon emissions

Part of this new policy is accreditation to ISO50001 'Energy Management System' which is a voluntary International Standard developed by the International Organization for Standardization which aims to establish a framework for an organisation to manage energy effectively

Health and safety

The Company is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare in its operations and for all those in the organisation and others who may be affected by its activities The Group operates a safety management system that is accredited to the international standard OHSAS 18001 The Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors

Employees

The average number of persons employed by the Company during the year was 1,843 (2011 1,900) Arqiva recognises the significant contribution of its employees and makes every effort to create an energising, rewarding and stimulating environment

Arqiva has received an Investors in People 'Silver Award' This is the second highest level of Investors in People recognition available Achieving the silver award is great recognition for the commitment and hard work put in by many colleagues across the business

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training arranged It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability

The Group's employee forums provide an effective channel for communication and collective consultation across the company They play an important role in enabling employees to help the Group manage change effectively The goals of each forum are to act as the formal staff consultative body for its part of the business within Arqiva, provide a voice to management on employee issues, initiate and support division-wide social activities, and promote consultation and sharing of information The Group Employee Forum comprises representatives of all the local forums This forum provides an effective channel for communication and collective consultation on issues that affect the whole Group

Significant emphasis is placed on employee communication The Group intranet 'Connect', has been refreshed and makes information available to employees on all matters including company performance, and issues affecting our industry Our quarterly employee magazine 'IQ' includes business news, information on special projects, people profiles, environmental and charity initiatives and competitions The Management Board host quarterly briefings at all key sites and 2012 saw the introduction of a Managers Conference to kick-off the new financial year

Directors

The following persons held office as Directors of the Company during the year and up to the date of signing this report

- Peter Shore
- Christian Seymour
- Alain Carrier
- Daniel Fetter
- Edward Beckley
- Damian Walsh
- Peter Douglas
- Adrianus Wamsteker (alternate)
- Andreas Kottering (alternate)
- Marc Perusat (alternate)
- Robert Wall (alternate)

Company Secretary

Michael Giles is the Company Secretary

Disclosure of information to the Independent Auditors

The Directors of the Company in office at the date of approval of this report confirm that

- so far as the Directors are aware there is no relevant audit information of which the Auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

Freehold land and buildings

The market value of the Company's land and buildings is lower than the carrying amount by £6,570,000 (2011 £11,044,000) This is based upon a market valuation completed as at 30 June 2010, uplifted by the percentage increase in the FTSE UK commercial property index to 30 June 2012 The Directors are comfortable the carrying value of the assets in the financial statements is supported by their value in use to the business

Research and development

The Company performs development into new products and technology, the costs of which are generally capitalised in accordance with the Company's accounting policy The research and development costs expensed in the year total £nil (2011 £nil), with amortisation of £174,000 (2011 £231,000) charged against capitalised development costs

Overseas branches

The Company has branches based in the Republic of Ireland, Isle of Man and Jersey

Charitable donations

During the year, the Company made charitable donations of £56,000 (2011 £47,000) All contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee The Group also supports the Give As You Earn scheme, working in partnership with the Charities Aid Foundation which manages the Give As You Earn scheme - the UK's leading payroll giving scheme Additionally, employees are supported to take part in 'Give and Gain Day' whereby they give their time to local charities and organisations for special projects which has included activities such as revamping the garden area at a local school

Directors' indemnities

The Company maintains liability insurance for the Company's Directors and officers The Company has also provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 accounting estimates that are reasonable and prudent,

— state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board

Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

10 December 2012

Independent Auditors' Report to the Members of Arqiva Limited

We have audited the financial statements of Arqiva Limited for the year ended 30 June 2012, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's Members as a body in accordance with chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

AEK.

Alan Kinnear (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

13 December 2012

Profit and loss account

	Note	Year ended 30 June 2012 Pre exceptional items £'000	Year ended 30 June 2012 Exceptional items £'000	Year ended 30 June 2012 Total £'000	Year ended 30 June 2011 Pre exceptional items £'000	Year ended 30 June 2011 Exceptional items £'000	Year ended 30 June 2011 Total £'000
Continuing operations							
Turnover	2	512,928	-	512,928	461,614	-	461,614
Cost of sales		(226,052)	-	(226,052)	(227,698)	-	(227,698)
Gross profit		286,876	-	**286,876**	233,916	-	**233,916**
Administrative expenses		(112,352)	(18,409)	(130,761)	(105,917)	-	(105,917)
Total administrative expenses		(112,352)	(18,409)	(130,761)	(105,917)	-	(105,917)
Operating profit	3	174,524	(18,409)	**156,115**	127,999	-	**127,999**
Income from shares in group undertakings	13	515	-	515	1,706	-	1,706
Fundamental reorganisation		-	-	-	-	(8,497)	(8,497)
Loss on disposal of assets		-	-	-	-	(2,136)	(2,136)
Total non-operating profit exceptional items		-	-	-	-	(10,633)	(10,633)
Profit on ordinary activities before interest		175,039	(18,409)	**156,630**	129,705	(10,633)	**119,072**
Interest receivable and similar income	7	1,949	-	1,949	689	-	689
Interest payable and similar charges	8	(2,647)	-	(2,647)	(2,637)	-	(2,637)
Profit on ordinary activities before taxation		174,341	(18,409)	**155,932**	127,757	(10,633)	**117,124**
Tax on profit on ordinary activities	9			9,192			2,673
Profit for the financial year	20,22			**165,124**			**119,797**

Balance sheet

	Note	30 June 2012 £'000	30 June 2011 £'000
Fixed assets			
Intangible assets	11	49,450	53,520
Tangible assets	12	969,995	986,001
Investments	13	66,051	62,843
		1,085,496	**1,102,364**
Current assets			
Debtors	14	197,755	214,876
Cash at bank and in hand	15	41,713	16,656
		239,468	**231,532**
Creditors amounts falling due within one year	16	**(721,557)**	**(677,016)**
Net current liabilities		**(482,089)**	**(445,484)**
Total assets less current liabilities		**603,407**	**656,880**
Creditors amounts falling due after more than one year	17	(29,045)	(20,260)
Provisions for liabilities and charges	18	(18,922)	(11,763)
Net assets excluding pension (deficit) / asset		**555,440**	**624,857**
Pension (deficit) / asset	25	(2,280)	2,664
Net assets including pension (deficit) / asset		**553,160**	**627,521**
Capital and reserves			
Called up share capital	19	30,000	30,000
Share premium account	21	90,800	90,800
Revaluation reserve	21	154,648	174,656
Capital reserve	21	13,396	13,396
Profit and loss reserve	20	264,316	318,669
Total shareholders' funds	22	**553,160**	**627,521**

The accounting policies and notes on pages 13 to 34 form part of these financial statements

These financial statements were approved by the Board of Directors on 10 December 2012 were signed on its behalf by

Peter Shore - Director

Statement of total recognised gains and losses

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Profit for the financial year	165,124	119,797
Actuarial (loss) / gain on pension scheme (See note 25)	(13,800)	12,500
Movement on deferred tax relating to pension scheme	3,312	(3,250)
Exchange adjustment offset in reserves (translation of foreign investments)	3	(328)
Total recognised gains and losses for the year	**154,639**	**128,719**

Note of historical cost profits and losses

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Reported profit on ordinary activities before taxation	155,932	117,124
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2,896	2,297
Historical cost profit on ordinary activities before taxation	**158,828**	**119,421**
Tax on historical cost profit on ordinary activities	9,192	2,673
Historical cost profit retained after taxation	**168,020**	**122,094**

Notes to the financial statements

1 Principal accounting policies

The following accounting policies have been applied consistently in relation to the Company's financial statements

(a) **Basis of preparation**

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards, under the historical cost convention, modified by the revaluation of certain tangible fixed assets

(b) **Going concern**

Despite having net current liabilities, the Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future

The Company has inter-company agreements with AF1, AUKBH, ATIL, AHL, ASL, TADCO and Arqiva No 2 Limited These agreements provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent

(c) **Exemption from consolidation**

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of AHL, a company registered in England and Wales

(d) **Cash flow statement**

The Company has taken advantage of the exemption under FRS 1 'Cash flow statements (revised 1996)' not to prepare a cash flow statement, as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking, ABHL, which prepares a consolidated cash flow statement

(e) **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition) or historic revalued amount, less accumulated depreciation and any provision for impairment

In accordance with FRS 15 'Tangible fixed assets', directly attributable finance costs are capitalised where assets take a significant period of time to become ready for use

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful economic lives The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets

The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Company's circumstances

Asset Description	Estimated Useful Life
Freehold buildings	60 – 70 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated

Capital work in progress is not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group in accordance with FRS 15

(f) Turnover

The Company's accounting policy in respect of turnover is set out in note 2

(g) Intangible assets

Intangible fixed assets are stated at original purchase cost, being fair value for acquired assets, less accumulated depreciation and any provision for impairment The economic useful lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment

Development costs

Development costs incurred to produce new, or substantially improved, products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development' and are amortised from the commencement of service over the life of the relevant contract Research costs, experimental or theoretical work undertaken which does not constitute development, are expensed as incurred

Licences

Licences acquired to operate radio services are capitalised and amortised on a straight line basis over their licence period

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years

Access rights

Access rights are stated at original purchase cost and amortised on a straight line basis over their expected useful life

(h) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11 'Impairment of fixed assets and goodwill'

(i) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account Exchange differences on translation of overseas operations are recognised through the 'Statement of group total recognised gains and losses'

(j) Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and depreciated over the shorter of their useful economic lives or lease term

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the period of the lease

(k) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements Deferred tax is measured on an undiscounted basis

(l) Post retirement benefits

Defined contribution schemes
For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the period Differences between contributions payable for the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Defined benefit schemes
Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds of equivalent currency and terms to the scheme liabilities

Any defined benefit asset or liability is presented separately on the face of the balance sheet

(m) Provisions
The 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 the current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to the passage of time is recognised as interest expense

Decommissioning provisions are recognised within provisions for liabilities and charges and included within fixed assets, where the costs of dismantling assets are considered material The amounts recognised within fixed assets are depreciated over the useful economic life of the asset The provisions are discounted to reflect the time value of money where material

(n) Cash at bank and in hand

Cash at bank and overnight deposits are disclosed within cash at bank

(o) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits and borrowings, finance leases and inter-company balances respectively

(p) Derivative financial instruments

The Company utilises forward purchase contracts for foreign currency transactions, the changes in the fair value of such derivatives are not recognised, and the gain or loss on settlement is taken to the profit and loss account

2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties and charges made under site sharing agreements

Turnover is recognised as services are provided Cash received or invoices raised in advance is taken to deferred income and recognised as turnover when service is provided Where consideration received in advance is discounted, the effect of the time value of money, where material, is reflected within turnover and interest payable and similar charges Turnover recognised in advance of cash received or invoices raised is taken to accrued income

The geographical split of turnover by destination is shown below

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
UK	462,689	410,758
Continental Europe	28,411	29,476
Rest of world	21,828	21,380
Turnover	**512,928**	**461,614**

3 Operating profit

Operating profit is stated after charging / (crediting)

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Depreciation of owned fixed assets	51,617	58,188
Depreciation of leased assets	447	447
Amortisation of intangible assets	2,025	2,249
Amortisation of goodwill	3,632	3,316
Operating lease rentals		
- Land, buildings and other infrastructure	15,321	11,466
- Plant and machinery	1,613	1,228
Management recharge to Group companies	(56,872)	(56,622)
Loss on disposal of tangible fixed assets	260	-
Foreign exchange losses	1,389	938

The Company has levied a management recharge, in respect of various staff costs and central facilities and support costs, to other trading entities within the Group The management recharge to the Group companies is included within administrative expenses within the profit and loss account

Services provided by the Auditors and network firms

During the year the Company obtained the following services from the Group's Auditors at costs as detailed below

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Fees payable to Company Auditor for the audit of the Company financial statements	76	70

Fees paid to the Company's Auditors for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated Group financial statements of the ultimate UK parent undertaking, ABHL, disclose the non-audit fees on a consolidated basis

4 Exceptional items

Profit on ordinary activities before taxation is stated after charging

	Group Year ended 30 June 2012 £'000	Group Year ended 30 June 2011 £'000
Administrative expenses		
- Reorganisation and severance	(9,308)	-
- Corporate finance activities	(662)	-
- Other one off activities	(8,439)	-
	(18,409)	-
Non-operating profit exceptional items		
- Fundamental reorganisation	-	(8,497)
- Loss on disposal of assets	-	(2,136)
	-	**(10,633)**
Total exceptional items	**(18,409)**	**(10,633)**

Reorganisation and severance costs in the year ended 30 June 2012 primarily represent amounts provided in relation to the closure of the Group's Warwick offices and some other business efficiency and process changes

Other one off activities includes substantial costs relating to a contract bid, the write off of amounts relating to a business disposal by the Group in the prior year and other business change projects

The above amounts are deductible for the purpose of taxation with the exception of the loss on disposal of assets The aggregate tax impact of these items was a tax deduction of £4,694,000 (2011 £2,337,000)

5 Staff costs

The average number of persons employed by the Company during the year was as follows

	2012 Number	2011* Number
Broadcast and Media	190	194
Digital Platforms	18	10
Government, Mobile and Enterprise	162	162
Business Operations	1,160	1,228
Corporate Support	313	306
Total staff numbers	**1,843**	**1,900**

*The prior year figures have been reclassified to align with the current year disclosure by business unit

The aggregate payroll costs of these persons were as follows

	2012 £'000	2011 £'000
Wages and salaries	114,119	107,629
Social security costs	11,633	10,430
Other pension costs	9,489	9,669
Total staff costs	**135,241**	**127,728**

6 Directors' emoluments

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Aggregate emoluments	**142**	**23**

During the year, two Directors (2011 one) were employees of the Company There are no retirement benefits accruing to any Directors under a defined benefit scheme (2011 £nil)

All other Directors were representatives of the shareholders of the Company's ultimate UK parent and their individual remuneration reflects the services they provide to the Company, other Group companies and a number of other entities outside of the Group It is therefore not possible to make an accurate apportionment of each Director's emoluments in respect of their service to the Company Accordingly, the above details include no emoluments in respect of these Directors services

The Company incurred costs of £nil (2011 £nil) in respect of amounts recharged from the Directors' employer companies for the direct costs of Directors attending board meetings during the year

7 Interest receivable and similar income

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interest receivable from Group companies	715	582
Bank interest receivable	34	84
Other interest receivable	1,200	23
Total interest receivable	**1,949**	**689**

8 Interest payable and similar charges

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Bank loans and overdrafts	57	58
Interest payable to Group companies	790	2,052
Finance lease interest payable	1,183	1,216
Other interest payable	1,306	647
	3,336	3,973
Less capitalised interest	(689)	(1,336)
Total interest payable	**2,647**	**2,637**

9 Tax on profit on ordinary activities

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax from prior year	189	-
Overseas tax	1	2
Total current tax	**190**	**2**
Deferred tax		
Origination and reversal of timing differences	(9,156)	(5,578)
Impact of rate change	(2,285)	14
Deferred tax on pension liability charged to profit and loss account	1,728	884
Prior year adjustment	331	2,005
Total deferred tax	**(9,382)**	**(2,675)**
Tax on profit on ordinary activities	**(9,192)**	**(2,673)**

(b) Factors affecting the current tax charge / (credit) for the year

The tax charge assessed for the year is different to the standard rate of tax in the UK of 25 5% (2011 27 5%) The differences are explained below

Profit on ordinary activities before taxation	155,932	117,124
Profit before taxation multiplied by standard rates of corporation tax in the United Kingdom of 25 5% (2011 27 5%)	39,763	32,209
Expenses not deductible for tax purposes	714	770
Amortisation of goodwill	926	912
Depreciation in excess of capital allowances	9,279	5,900
Non-taxable income	(1,836)	(469)
Other timing differences	423	(935)
Non-qualifying depreciation	3,343	3,567
Corporation tax from prior year	189	-
Group relief receivable for nil consideration	(52,611)	(41,952)
Total current tax	**190**	**2**

The UK corporation tax rate was reduced from 26% to 24% effective from 1 April 2012 Therefore for the purpose of this tax reconciliation an average tax rate of 25 5% has been used

There has been a stated intention to reduce the UK corporation tax rate in future years (see note 14)

10 Dividends

Equity dividends on ordinary shares

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interim dividend paid on 6 December 2011 of £2 83 per share (2011 £2 83)	85,000	85,000
Additional interim dividend paid on 14 May 2012 of £4 80 per share (2011 £nil)	144,000	-
	229,000	**85,000**

11 Intangible assets

	Licences £'000	Development costs £'000	Access rights £'000	Purchased goodwill £'000	Total £'000
Cost					
At 1 July 2011	3,638	925	6,957	66,304	77,824
Transfer from investments	-	-	-	1,587	1,587
At 30 June 2012	**3,638**	**925**	**6,957**	**67,891**	**79,411**
Accumulated amortisation					
At 1 July 2011	1,745	751	4,382	17,426	24,304
Charged in the year	352	174	1,499	3,632	5,657
At 30 June 2012	**2,097**	**925**	**5,881**	**21,058**	**29,961**
Net book value					
At 30 June 2012	**1,541**	**-**	**1,076**	**46,833**	**49,450**
At 30 June 2011	1,893	174	2,575	48,878	53,520

Development costs in respect of products and services developed by the Group have been capitalised in accordance with SSAP 13 These are amortised over their expected useful economic life once the product or service has been commercially launched

During the year, the Company has novated certain contracts from a subsidiary and accordingly the underlying investment has been reclassified as goodwill within these financial statements

12 Tangible assets

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 July 2011	175,011	59,942	1,242,060	1,477,013
Additions	17,481	366	145,177	163,024
Transfer to Group companies	(15,290)	(72)	(111,262)	(126,624)
Disposals	-	-	(61,275)	(61,275)
At 30 June 2012	**177,202**	**60,236**	**1,214,700**	**1,452,138**
Accumulated depreciation				
At 1 July 2011	29,454	21,684	439,874	491,012
Charge for the year	2,495	922	48,647	52,064
Disposals	-	-	(60,933)	(60,933)
At 30 June 2012	**31,949**	**22,606**	**427,588**	**482,143**
Net book value				
At 30 June 2012	**145,253**	**37,630**	**787,112**	**969,995**
At 30 June 2011	145,557	38,258	802,186	986,001

The Company's fixed and other assets have been pledged as security under fixed and floating charges that have arisen as a result of borrowing agreements entered into by the Company's parent undertakings

Borrowing costs capitalised during the period totalled £689,000 (2011 £1,336,000) at a capitalisation rate of 2 7% (2011 2 4%) The aggregate amount of finance costs included in the cost of tangible fixed assets totals £12,710,000 (2011 £12,021,000)

Capital work in progress is developed and held by the Company in relation to the trading activities of all core Group companies At the point of capitalisation to the Group fixed asset register the capital work in progress is transferred to another Group company at book value, if applicable The balance of capital work in progress not yet capitalised to the Group fixed asset register is a total cost of £313,641,000 as at 30 June 2012 (2011 £500,396,000) This includes additions of £156,184,000 and the completion of capital work in progress during the year of £342,939,000

Freehold land included above but not depreciated amounts to £77,069,000 (2011 £76,661,000)

Short leasehold land and buildings held under finance leases, capitalised and included within fixed assets above

	30 June 2012	30 June 2011
	£'000	£'000
Cost	10,907	10,907
Accumulated depreciation	(2,904)	(2,457)
Net book value	**8,003**	**8,450**

If fixed assets were stated on a historical cost basis, the amounts would be

	30 June 2012				30 June 2011			
	Freehold land and buildings	Leasehold buildings	Plant and equipment	Total	Freehold land and buildings	Leasehold buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost	81,539	29,616	1,159,214	**1,270,369**	79,348	29,322	1,185,487	**1,294,157**
Accumulated depreciation	27,727	17,872	409,423	**455,022**	23,287	16,712	426,788	**466,787**
Net book value based on historical cost	**53,812**	**11,744**	**749,791**	**815,347**	**56,061**	**12,610**	**758,699**	**827,370**

13 Investments

	Investments in subsidiaries and joint venture
	£'000
Cost	
At 1 July 2011	71,331
Additions (see note 26)	4,795
Transfer to Goodwill (see note 11)	(1,587)
At 30 June 2012	**74,539**
Provision for impairment	
At 1 July 2011 and 30 June 2012	**8,488**
Net book value	
At 30 June 2012	**66,051**
At 30 June 2011	62,843

The Company received dividends of £515,000 from Arqiva SAS (2011 £1,267,000) and £nil from Arqiva SRL (2011 £439,000) in the year

The Directors believe that the carrying values of the investments are supported by the underlying net assets

The Company's significant investments (held indirectly unless stated) are shown below

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva SAS	France	Transmission services	30 June	100%
Arqiva SRL	Italy	Transmission services	30 June	100%
Arqiva Inc	United States	Transmission services	30 June	100%
Macropolitan Limited	United Kingdom	Site management	30 June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	30 June	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30 June	100%
Joint venture				
Arts Alliance Media Investment Limited	United Kingdom	Digital cinema distribution	30 June	24 99%
YouView TV Limited	United Kingdom	Open source IPTV development	31 March	14 3%

14 Debtors

	30 June 2012 £'000	30 June 2011 £'000
Trade debtors	80,854	88,302
Amounts owed by Group undertakings	24,535	50,134
Other debtors	5,453	7,293
Deferred tax asset	13,994	2,956
Prepayments and accrued income	72,919	66,191
Total debtors	**197,755**	**214,876**

Amounts owed by Group undertakings are unsecured and repayable on demand Interest has been charged on £3,741,000 at 9 75% in relation to structured loan balances and £20,794,000 at 0% in relation to trading and working capital loan balances (2011 £7,085,000 at 9 75% in relation to structured loan balances and £43,049,000 at 0% in relation to trading and working capital balances)

The Directors consider that the fair value of debtors closely approximates to book value

Deferred tax asset	30 June 2012 Asset £'000	30 June 2011 Asset / (liability) £'000
At 1 July	2,956	(849)
Credited to the profit and loss account	11,038	3,805
At 30 June	**13,994**	**2,956**
Accelerated capital allowances	13,168	2,519
Short term timing differences	826	437
Deferred tax asset / (liability)	**13,994**	**2,956**

The deferred tax asset of £13,944,000 has been calculated based on the UK corporation tax rate of 24% (the rate in force at the balance sheet date) There has been a stated intention to reduce the UK corporation tax rate to 22% by April 2014 by a number of changes in the UK corporation tax rate, these changes have not been substantively enacted

No deferred tax has been recognised in respect of future tax on gains arising from the previous revaluation of fixed assets, as the Company is not committed to the disposal of the assets

15 Cash at bank and in hand

	30 June 2012 £'000	30 June 2011 £'000
Cash at bank	2,419	5,685
Short term deposit	39,294	10,971
Total cash at bank and in hand	**41,713**	**16,656**

16 Creditors: amounts falling due within one year

	30 June 2012 £'000	30 June 2011 £'000
Trade creditors	60,890	78,320
Amounts owed to Group undertakings	512,120	447,146
Other taxes and social security costs	11,694	17,863
Other creditors	13,956	11,159
Accruals and deferred income	122,422	122,105
Finance lease	475	423
Total creditors amounts falling due within one year	**721,557**	**677,016**

Amounts owed to Group undertakings are unsecured and repayable on demand under the terms of the loan agreements Interest has been charged on £75,025,000 at 2 65% in relation to specific structured loan balances, £5,034,000 at 9 75% in relation to structured loan balances and £432,061,000 at 0% in relation to trading and working capital balances (2011 £27,680,000 at 2 5% in relation to specific structured loan balances, £5,255,000 at 9 75% in relation to structured loan balances, and £414,211,000 at 0% in relation to trading and working capital balances) Certain Group companies may only demand repayments of loans provided that such a repayment would not cause the Company to become insolvent (note 24)

The Directors consider that the fair value of creditors amounts falling due within one year closely approximates to book value

17 Creditors: amounts falling due after more than one year

	30 June 2012 £'000	30 June 2011 £'000
Amounts owed to Group undertakings	5,285	5,285
Accruals and deferred income	9,260	-
Finance lease	14,500	14,975
Total creditors amounts falling due after more than one year	**29,045**	**20,260**

Amounts owed to Group undertakings are unsecured, interest free and repayable in more than five years

The Directors consider that the fair value of creditors amounts falling due after more than one year closely approximates to book value

Maturity of loans	30 June 2012 £'000	30 June 2011 £'000
Within one year	475	423
In more than one year, but not more than five years	1,527	1,585
In more than five years	12,973	13,390
	14,975	**15,398**

Finance leases

Future minimum payments under finance leases are as follows

	30 June 2012 £'000	30 June 2011 £'000
Within one year	1,606	1,606
In more than one year, but not more than five years	5,665	5,863
After five years	20,702	22,110
Total gross payments	**27,973**	**29,579**
Less finance charges included above	(12,998)	(14,181)
Total finance leases	**14,975**	**15,398**

18 Provisions for liabilities and charges

	Decommissioning £'000	Onerous contracts £'000	Restructuring £'000	Total £'000
At 1 July 2011	10,650	813	300	11,763
Addition created through fixed assets	1,802	-	-	1,802
Released to profit and loss account	(478)	-	-	(478)
Charged to profit and loss account	336	864	5,006	6,206
Changes relating to movements in the discounted amount	863	-	-	863
Utilised in the year	-	(605)	(629)	(1,234)
At 30 June 2012	**13,173**	**1,072**	**4,677**	**18,922**

The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, and onerous lease contracts where the buildings are empty but lease costs are being incurred The provision is expected to be utilised over the next four years

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties The provision is in relation to assets of which the remaining useful economic life ranges up to 22 years

The restructuring provision relates to the costs of a reorganisation of Group operations which will be utilised during the next financial year

19 Share capital

	30 June 2012 £'000	30 June 2011 £'000
Authorised		
30,000,300 (2011 30,000,300) ordinary shares of £1 each	30,000	30,000
Allotted, called up and fully paid		
30,000,201 (2011 30,000,201) ordinary shares of £1 each	**30,000**	**30,000**

20 Profit and loss reserve

	£'000
At 1 July 2011	318,669
Transfer from the revaluation reserve	20,008
Actuarial loss on pension scheme	(13,800)
Movement on deferred tax relating to pension liability	3,312
Exchange adjustment offset in reserves (translation of foreign investments)	3
Dividends paid	(229,000)
Profit for the financial year	165,124
At 30 June 2012	**264,316**

21 Other reserves

	Share premium account £'000	Revaluation reserve £'000	Capital reserve £'000	Total £'000
At 1 July 2011	90,800	174,656	13,396	278,852
Transfer to profit and loss account	-	(20,008)	-	(20,008)
At 30 June 2012	**90,800**	**154,648**	**13,396**	**258,844**

22 Reconciliation of movement in shareholders' funds

	30 June 2012 £'000	30 June 2011 £'000
Profit for the financial year	165,124	119,797
Dividends	(229,000)	(85,000)
Other recognised gains and losses relating to the year	(10,485)	8,922
Net (decrease) / increase in shareholders' funds	(74,361)	43,719
Opening shareholders' funds	627,521	583,802
Closing shareholders' funds	**553,160**	**627,521**

23 Commitments for expenditure

Capital commitments
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as a liability are payable as follows

	30 June 2012 £'000	30 June 2011 £'000
Within one year	19,407	26,742
Later than one year but not later than five years	2,794	87
Later than five years	-	-
Total	**22,201**	**26,829**

At the balance sheet date, the Group has entered into forward contracts to sell Euros at a total value of £11,985,000 (2011 £1,678,000) and sell US Dollars at a total value of £8,093,000 (2011 £nil) All contracts expire within one year

Operating leases
Annual commitments in relation to non-cancellable operating leases for land, buildings and other infrastructure locations expiring

	30 June 2012 £'000	30 June 2011 £'000
Within one year	291	249
Later than one year but not later than five years	3,174	1,879
Later than five years	6,598	7,306
Total	**10,063**	**9,434**

The annual commitments above exclude amounts relating to contingent rentals, cancellable leases and leases which have expired their initial term and now operate on a rolling notice period of less than one year Accordingly, the annual lease expense seen in note 3 is greater than the commitment shown above

Other annual lease commitments in relation to transmission activities expiring

	30 June 2012 £'000	30 June 2011 £'000
Within one year	93	211
Later than one year but not later than five years	1,449	1,072
Total	**1,542**	**1,283**

24 Contingent liabilities

Under the terms of the Group's external debt facilities, the Company has provided security over the fixed and other assets by way of fixed and floating charges

The Company has inter-company agreements with AF1, AUKBH, ASL, ATIL, AHL, TADCO and Arqiva No 2 Limited, which provide that these companies will give financial support to each other so that they can meet their liabilities as they fall due and they agree not to demand repayment of the inter-company loans if this would cause the borrower to become insolvent

The Company is the head lessee for two properties occupied by companies forming part of the Virgin Media (formerly NTL) group The Company is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2012 Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 30 June 2012 total £5,292,000 (2011 £7,529,000) Although Virgin Media have indemnified the Company for these costs, the Company remains ultimately liable for the costs concerned

25 Pension commitments

Defined benefit scheme

In the year to June 2012, there was one defined benefit scheme, sponsored by the Company The assets of the scheme are held separately from the Company in trustee administered funds

Triennial valuation

The triennial valuation of the Company's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, has resulted in an assessed deficit of £17 4m Gross plan liabilities at the valuation date were £130 5m compared to gross plan assets of £113 1m The Company has agreed with the trustee to make deficit recovery payments into the Plan of £5 7m in July 2013, £5 7m in July 2014 and £4 1m in July 2015, after taking into account payments already made under the previous recovery plan since the date of the valuation

FRS 17 assumptions

The assumptions used for the scheme for the purpose of the FRS 17 accounting position as at the year end are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit / surplus of assets below / above the FRS 17 liabilities (which equals the gross pension liability / asset)

An actuarial valuation for the purpose of statutory reporting under FRS 17 was carried out at 30 June 2012 in consultation with an independent firm of consulting actuaries, Lane Clark & Peacock LLP The principal assumptions made are

	30 June 2012	30 June 2011
Price inflation (RPI)	3 00%	3 65%
Price inflation (CPI)	2 00%	2 65%
Discount rate	4 70%	5 75%
Pension increases (LPI with a minimum of 3%)	3 50%	3 80%
Salary growth	3 00%	4 15%
Life expectancy of a male age 60 (current pensioner)	26 6yrs	25 7yrs
Life expectancy of a male age 60 (future pensioner)	28 2yrs	27 0yrs

As required by FRS 17 'Retirement benefits', the value of the defined benefit liabilities has been measured using the projected unit method

Asset distribution and long term rate of return expected

	30 June 2012 Expected return	30 June 2012 Fair value £'000	30 June 2011 Expected return	30 June 2011 Fair value £'000
Equities	6 70%	65,600	7 35%	72,100
Bonds	3 50%	62,500	4 80%	38,600
Cash	0 50%	200	0 50%	2,400
Total		**128,300**		**113,100**
Balance sheet				
Total fair value of assets		128,300		113,100
Present value of scheme liabilities		(131,300)		(109,500)
Gross pension (liability) / asset		(3,000)		3,600
Deferred tax asset / (liability)		720		(936)
Net pension (liability) / asset		**(2,280)**		**2,664**

No amounts within the fair value of the arrangements are in respect of the Company's own financial instruments or any property occupied by, or assets used by, the Group

A higher long term rate of return is expected on equity investments than that which is available on bonds The extent to which equities are assumed to provide higher returns than bonds in the future is estimated based on the returns achieved above bond returns historically and market conditions at the balance sheet date

Arqiva Limited pays contributions of 26 3% of pensionable salaries for the majority of the 351 active members of the scheme, plus the cost of matching AVC added year payments

The present value of the scheme liabilities has moved over the year as follows

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
1 July	109,500	101,800
Current service costs	4,600	4,700
Settlements	600	(100)
Contributions by employees	1,800	2,200
Interest cost	6,300	5,800
Benefits paid	(2,000)	(3,000)
Actuarial loss / (gain)	10,500	(1,900)
30 June	**131,300**	**109,500**

The fair value of the scheme assets has moved over the year as follows

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
1 July	113,100	89,500
Expected return on scheme assets	7,500	5,700
Actuarial (loss) / gain	(3,300)	10,600
Contributions by employers	11,200	8,100
Contributions by employees	1,800	2,200
Benefits paid	(2,000)	(3,000)
30 June	**128,300**	**113,100**

The post retirement surplus / deficit under FRS 17 moved over the year as follows

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Surplus / (deficit) at 1 July	3,600	(12,300)
Current service costs	(4,600)	(4,700)
Settlements	(600)	100
Contributions	11,200	8,100
Other net finance income / (expense)	1,200	(100)
Actuarial (loss) / gain	(13,800)	12,500
(Deficit) / surplus at 30 June	**(3,000)**	**3,600**

The following amounts have been included within operating profit

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Current service cost (employer only)	4,600	4,700
Settlement	600	(100)
Total operating charge	**5,200**	**4,600**

The following amounts have been included as net finance expense under FRS 17

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Expected return on pension scheme assets	7,500	5,700
Interest on post retirement liabilities	(6,300)	(5,800)
Net finance income / (expense)	**1,200**	**(100)**

The actual return on scheme assets was a gain of £4,200,000 (2011 £16,300,000)

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS 17

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Actual return less expected return on scheme assets	(3,300)	10,600
(Losses) / gains due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(12,200)	1,900
Experience gains arising on the Scheme's liabilities	1,700	-
Actuarial (loss) / gain recognised in the STRGL	**(13,800)**	**12,500**

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £14,580,000 (2011 £780,000)

The history of experience gains and losses is

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of scheme liabilities	(131,300)	(109,500)	(101,800)	(78,520)	(21,800)
Fair value of scheme assets	128,300	113,100	89,500	68,480	16,600
(Deficit) / surplus on scheme	(3,000)	3,600	(12,300)	(10,040)	(5,200)
Actual return less expected return on scheme assets	(3,300)	10,600	7,620	(6,350)	(2,600)
Percentage of Scheme's assets	(3%)	9%	9%	(9%)	(16%)
Experience gains and (losses) arising on scheme's liabilities	1,700	-	-	(952)	(300)
Percentage of the FRS 17 value of the scheme's liabilities	(1%)	0%	0%	1%	1%
Total amount recognised in the STRGL	(13,800)	12,500	(6,060)	(5,220)	(4,300)
Percentage of the FRS 17 value of the scheme's liabilities	11%	(11%)	6%	7%	20%

The scheme is closed to new entrants and under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases

Other pension schemes

The Company has operated a defined contribution scheme during the year, for those employees who are not members of the Defined Benefit scheme described above Contributions payable in respect of this scheme for the year were £4,289,000 (2011 £5,069,000) The assets of the scheme are held outside of the Company

An amount of £654,000 (2011 £553,000) is included in accruals being the outstanding contributions to the defined contribution scheme

26 Related party disclosures

The Company has taken advantage of the exemptions available under FRS 8 'Related party disclosures' for disclosure of transactions with entities that are part of the Group as related parties in these financial statements

As at 30 June 2012, the amount outstanding from Arts Alliance Media Investment Limited, a joint venture company, including accrued interest was £nil (2011 £4,808,000) No interest was charged during the year to 30 June 2012 (2011 £3,750,000 at 0% and £525,000 at 15%) but an adjustment of £13,000 was made to the 2011 balance The loan was converted into an equity investment during the year

The company paid subscriptions of £5,456,000 (2011 £4,568,000) to YouView TV Limited, a joint venture

There are no other related party transactions

27 Post balance sheet event

On 2 July 2012, the Group announced that it had agreed terms with the Board of Spectrum Interactive Limited ('Spectrum Interactive'), a leading UK based Wi-Fi operator, for an offer to acquire 100% of the shares On 30 July 2012, the offer was declared unconditional in all respects The acquisition was completed by ABHL and on 1 October 2012 the Company acquired 100% of the issued share capital of Spectrum Interactive from ABHL for a total cash consideration of £24,119,000

The acquisition of Spectrum Interactive will enable the Group to build a unique proposition for Wi-Fi hotspot provision in the UK and gives the business 15,500 access points in over 2,100 premium Wi-Fi locations across hotels, restaurants and leisure outlets as well as airports, airline lounges, motorway service station and public locations on high streets When combined with the Group's existing Wi-Fi and cellular assets it gives the Group a highly scalable platform for meeting the growing demand for wholesale mobile data services

Spectrum Interactive has become part of the GME business unit

During September 2012, the Company acquired 100% of the share capital of Connect TV Limited The Connect TV platform enables broadcasters and content owners to use the internet to provide new channels and services to the fast growing connected TV market Consideration paid was £3,700,000 and after allowing for other acquisition costs and an estimated fair value of net assets acquired, this acquisition gave rise to a goodwill balance of £3,672,000

Connect TV Limited has become part of the Digital Platforms business unit

28 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent company is AHL

During the year, the ABHL group has completed a legal entity restructuring process This has reorganised the legal entity structure in relation to certain trading subsidiaries and has been completed to assist the trading activities of the Group by consolidating the core trading entities of the Company and ASL, including their respective subsidiaries, under a single holding company

In the completion of this legal entity restructuring process, on 27 June 2012 ATIL acquired the entire issued share capital of the Company for an amount of £1,724,940,000 from AUKBH This transaction was financed by way of inter-company loan agreements

Subsequently, AHL acquired the entire issued share capital of the Company for an amount of £1,724,940,000 from ATIL AHL financed this transaction via the issue of additional share capital to its immediate parent company, ATIL, of £1,568,940,000 and by way of inter-company loan agreements

The substance of the transaction was a group reorganisation rather than an acquisition because the reorganisation represented a change in the identity of the holding company rather than the acquisition of a business Accordingly, AHL has consolidated the results of the Company, and its subsidiaries, under the principles of merger accounting in accordance with FRS 6 'Acquisitions and mergers'

AHL is the parent undertaking of the smallest group to consolidate these financial statements The ultimate UK parent undertaking is ABHL

Copies of the ABHL consolidated financial statements and the AHL consolidated financial statements can be obtained from the Company Secretary of each company at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA

29 Controlling parties

ABHL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities There is no ultimate controlling party of the Company, as defined by FRS 8

ABHL is the parent company of the largest group to consolidate these financial statements