



# arqiva

## **Arqiva Broadcast Holdings Limited**

**Registered number 05254001**

### **Annual Report and Consolidated Financial Statements**

**For the year ended 30 June 2015**



# Corporate information

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As at the date of this report (11 September 2015).

## **CHAIRMAN**

Mike Parton

## **DIRECTORS**

Mike Parton

Mark Braithwaite

Paul Mullins

Christian Seymour

Robert Wall

Damian Walsh

Nathan Luckey

Sally Davis

Deepu Chintamaneni (alternate)

## **SECRETARY**

Michael Giles

## **REGISTERED OFFICE**

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## **COMPANY REGISTRATION NUMBER**

05254001

## **WEBSITE**

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## **INDEPENDENT AUDITOR**

PricewaterhouseCoopers LLP

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## THE UK'S LEADING COMMUNICATIONS INFRASTRUCTURE AND MEDIA SERVICES COMPANY

We live in an always on, always connected world. Millions of people depend daily on a continuous stream of information, education, entertainment and conversation.

Arqiva is the UK's leading communications infrastructure and media services company, providing much of the infrastructure behind television, radio, satellite, wireless and machine-to-machine communications in the UK. Our engineers led the largest broadcast engineering project in UK history with the successful completion of the switch over from analogue to digital TV in 2012 (Digital Switch Over – 'DSO').

We have a rich history of innovation, providing the transmission capability for the UK Government's first budget broadcast in 1928. We were behind the first satellite TV tests in 1978, and other 'firsts' including the world's first digital terrestrial TV launch in 1998 and the world's first outsourced mobile phone network in 2001.



Arqiva continues to build on its pioneering heritage and to grow its people, technology and capabilities. Arqiva's success in winning the 15 year smart metering contract in the North of England and Scotland has enabled us to pursue wider opportunities in this market. The smart metering contract involves building a new network and delivering the smart energy metering communications service for Scotland and the North of England, as well as managing engagement with the energy industry and other key stakeholders. We are now pursuing new business opportunities in related machine-to-machine ('M2M') markets, including many fast developing areas such as smart water metering, where we've recently won a contract with Thames Water, smart grids and a wide set of other potential M2M applications, including the Internet of Things ('IoT').

With our position as the sole UK provider of network access and transmission services for terrestrial television and radio broadcasting we work with major broadcasters, such as the BBC, ITV and Sky, as well as independent radio groups. We are the market leader for commercial spectrum used for transmission of Digital Terrestrial Television ('DTT'), owning two of the three main national commercial multiplexes as well as two new, high definition ('HD') enabled multiplexes.



We are the largest independent provider of wireless tower sites in the UK to Mobile Network Operators ('MNOs'), and are currently helping them to deliver the roll-out of 4G network capability. Arqiva is also one of the largest providers of WiFi in the UK with circa 29,000 deployed access points.

We also have a presence in mainland Europe, USA and Asia. We provide satellite distribution services for Turner Broadcasting System, Inc. in both the US and Hong Kong, for France's leading media company Canal+ Group and our digital and satellite TV services keep the news flowing for the internationally renowned Al Jazeera Network.

We are the company that enables televisions, radios, mobiles and other devices to receive and transmit data. Always

In this document references to Arqiva and the Group refer to Arqiva Broadcast Holdings Limited and its subsidiaries and business units as the context may require.

A reference to a year expressed as 2014/15 or 2015 is to the financial year ended 30 June 2015. This convention applies similarly to any reference to a previous or subsequent year. References to current year, this year and the year are to the financial year ended 30 June 2015. References to the prior year and last year are to the financial year ended 30 June 2014.

## Highlights

### Our financials

Revenue
<b>£357.1m</b>
(2014: £325.6m)
EBITDA
<b>£110.7m</b>
(2014: £100.6m)
Operating Cash flow
<b>£380.1m</b>
(2014: £292.1m)
Tangible Fixed Assets (net book value)
<b>£1.8bn</b>
(2014: £1.7bn)
Contracted order book
<b>£6.3bn</b>
(2014: £6.3bn)

### Our business units

<b>Terrestrial Broadcast</b> Over 1,400 DTT and radio transmission sites covering 98.5% of the population
<b>Digital Platforms</b> 2 out of the 3 commercial DTT multiplexes and 2 T2 HD enabled multiplexes
<b>Satellite and Media</b> Leading UK teleport operator with >40% market share in terms of channels up-linked
<b>Telecoms</b> Leading independent provider of wireless sites with c.26% total market share of all active sites. Circa 20,000 WiFi access points
<b>Smart Metering M2M</b> Establishing a network of c.800 sites to provide coverage to c5.3m premises

### Our achievements

<b>Our People</b> Holder of Investors in People "Gold Award" 2,160 employees (2014: 2,002)
<b>Customer Promises</b> Major network deployment milestones achieved to time (inc. smart metering)
<b>Industry accreditations</b> (Including) ISO 14001* OHSAS18001** ISO27001***
<b>Our Reliability</b> Combined TV Network Availability of 99.91% (2014: 99.95%)
<b>Awards</b> 2014 Teleport Operator of the Year Award

\* ISO 14001 is the de facto international standard for an effective environmental management system  
\*\* OHSAS 18001 sets the de facto international standard for an effective safety management system  
\*\*\* ISO 27001 is the de facto international standard for an effective information security management system

## Chairman's statement



Having joined the Group as Chairman in April, I'm delighted to announce that the Group has recorded its highest ever revenue and earnings. I would like to thank Peter Shore, who was Chairman for more than 8 years, for his commitment to Arqiva over a period of substantial growth and important milestones (including Digital Switch-Over, the largest engineering project in the history of UK television) which has made Arqiva the organisation it is today with exciting prospects for the future. For example, in the March 2015 budget we have seen the UK Government announce funding for markets linked to machine-to-machine connectivity and substantial funding to deliver clearance of the 700MHz spectrum, providing a positive outlook for the future.

In order to be successful in securing and delivering these opportunities the Group has sought to re-balance its focus towards investment in core markets and to identify opportunities for divestment of certain activities that lack the scale and strategic fit to the future of the business.

### Strategic planning

"Our strategic planning process has left us with a clear view of our core markets in which we will focus investment as we deliver our substantial order book."

In March 2015 the Group announced to its stakeholders that it had undertaken a review of its operating model, working with external consultants to benchmark its cost base and review the profitability of its service offering.

Following this review, the Group is seeking to focus on its most significant growth opportunities whilst at the same time targeting operational efficiencies, including aligning activities from its Technology business unit and Digital Platforms business unit into the remaining customer-facing business units. Additionally, from the 1<sup>st</sup> October, the Group will combine its Telecoms and Smart M2M business units to benefit from the synergies in operations and markets. The Board is also consulting with members of the defined benefit pension scheme regarding closing the scheme to future accrual, with an estimated closure date of 31<sup>st</sup> October 2015. The process remains ongoing at this time.

With the appointment of an interim Chief Transformation Officer in May 2015, the Board has shown its commitment to embedding the transformation programme across the business. These changes are anticipated to deliver in excess of £30m annual operating cash savings phased over 2-3 years and will enable Arqiva to provide high quality service to its customers with a more efficient cost base.

### Financial results

"Following a year of record revenue and earnings we are already beginning to see the positive impact of the Group's transformation programme."

The Group's trading performance has been strong, recording our highest ever revenues of £857.1m and EBITDA\* of £418.7m, both up more than 3% from the prior year.

Growth in Telecoms revenues was achieved primarily through an increase in demand for upgrading networks to accommodate 4G capability on our sites. There was also growth in underlying Digital Terrestrial Television (DTT) contract revenues following a renewal of founder contracts uplifted to market prices. Satellite and Media revenues, however, declined from the prior year following the reduction in wholesale satellite space revenue, some service terminations of non-credit worthy customers and space segment terminations as we focus on profitability.

### Operational delivery

The Group has continued to deliver across a number of large-scale projects, including Smart Metering which has now reached the 60% coverage milestone (see p 23). Leveraging from our capabilities in the Machine-to-Machine connectivity market we have rolled out the Sigfox IoT networks to 10 major cities and are focusing on activities to bring the network to operational and commercial readiness whilst running proof of concepts with a number of potential customers. Under the BBC New Radio Agreement DAB roll-out has been progressing with UK coverage now increased beyond 95% and we have also begun the rollout for a second national DAB service to go live by March 2016. Within Telecoms, the Group has progressed in its delivery of the Mobile Infrastructure Project with 181 sites in the acquisition phase, together with 19 in the build phase.

\*EBITDA refers to earnings before interest, tax, depreciation and amortisation. See page 3 for further information.

## Key contract wins

**"We acknowledge the challenges we face in competitive markets but take assurance from our continued bid success and notable wins."**

During the year, Arqiva won a number of competitive bids across a variety of its markets including

- Winning a smart water metering contract with Thames Water to build and operate a network, expected to eventually service over 3 million homes leveraging the knowledge and success demonstrated to date on the smart energy metering programme
- Sound Digital, a consortium in which Arqiva holds a 40% stake, winning a 12-year licence to operate the UK's second commercial DAB multiplex adding significantly to the Group's presence in the digital radio market
- Winning a 5-year contract to provide WiFi services (corporate and public access) to a leading financial institution representing the Group's largest WiFi contract to date and contributing significantly to the WiFi growth strategy
- Signing a three year contract to provide wholesale WiFi services to a Mobile Virtual Network Operator ('MVNO'), which is one of the UK's major providers of fixed broadband, providing their customers with access to the majority of Arqiva's Wholesale WiFi locations via smartphone and other wireless devices
- Leveraging the development of our Connected Solutions offering by winning the contract to provide engineering expertise supporting the rollout of Freeview Play which will provide internet connectivity to Freeview television platform

The Group's contracted orderbook value at 30 June 2015 was £6.3bn (2014: £6.3bn). The strength in the order book underlines Arqiva's strong visibility of earnings and will underpin future revenue.

## Chief Executive Officer and the Board of Directors

Following four and a half years as Chief Executive, John Cresswell left the business in August, with Simon Beresford-Wylie becoming the Group's new Chief Executive. Simon joins us with over 30 years' experience in the information technology, smart metering and telecoms sectors. He has held roles all over the world, most recently helping guide the strategy and operations of Samsung Electronics' network business in Seoul, South Korea. Prior to joining Samsung, Simon was CEO of UK-based Digital Mobile Spectrum Limited – also known as At800 – which is responsible for mitigating interference issues that arise as a consequence of the co-existence of DTT television and 4G mobile.

I would like to take this opportunity to thank John for the dedication he has shown and the contribution he has made to Arqiva and wish him well for the future. He has helped position Arqiva at the centre of the UK communications infrastructure industry.

It is with deep sadness that I have to announce that one of our Arqiva Board members, Peter Douglas, passed away in August. Peter had been part of the organisation (and its predecessors) for more than 40 years, and his wide and

detailed knowledge of the business, coupled with his persuasive and straightforward management style, commanded respect and admiration from those that worked with him. Peter's personal contribution to the growth and success of Arqiva is unparalleled and, on behalf of the company, I send my best wishes to Peter's family at this time.

## Outlook

Looking forward, Arqiva will continue to make progress on its business transformation programme and will continue to pursue its strategic objective of growing both a financially and operationally successful business. We have signed some significant contracts which have continued to strengthen our order book and underpin our revenue into the next financial year.

Whilst we shall continue to invest significant capital over the coming years, the Board remains focused on investing in areas that deliver meaningful earnings growth.

We continue to work with the key stakeholders in our industries, including government and regulatory bodies, to maintain our excellent relationships and ensure that Arqiva remains an active participant in shaping key decisions, and influencing trends in our markets.

In particular, Arqiva continues to engage with Ofcom and other international government agencies to influence the decisions made regarding the future use of spectrum. This is with a view to ensuring the optimal allocation of spectrum is reached across our markets, and to enhance free-to-air broadcasting. Where changes to spectrum allocation are required, such as 700MHz clearance, we expect to benefit from significant project engineering opportunities.

Arqiva has made excellent progress towards its goals in this financial year and, with further business transformation, the Group will be looking to continue that progress in the coming financial year.



Mike Parton  
Chairman  
September 2015



# Strategic report

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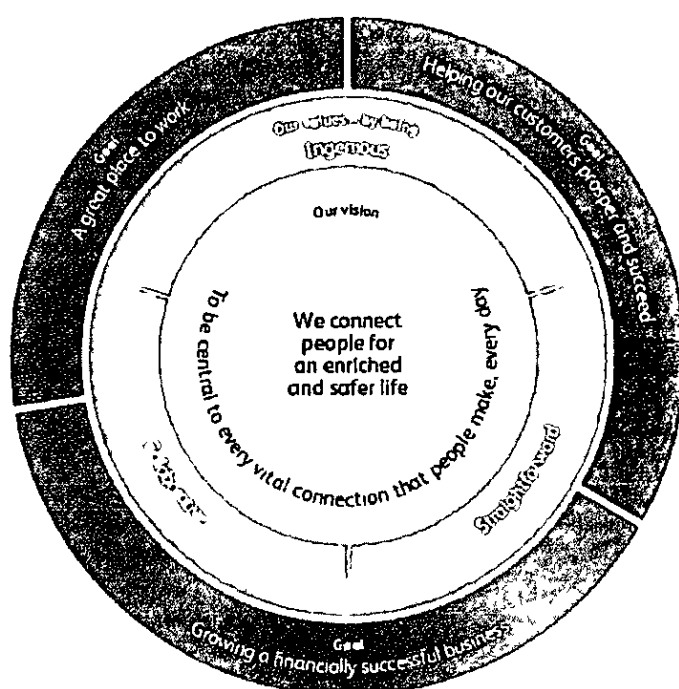


## Strategic overview

*Our strategy is to leverage existing skills and infrastructure to build on our stable core infrastructure business*

The Group intends to continue to operate and invest in UK communications infrastructure, maximising the value of the core business and to explore appropriate growth opportunities that represent a strategic fit with our existing business and infrastructure assets

Our strategy is summarised by three key strategic priorities which are built on our vision and core values. We actively engage with government, trade associations and other industry players as we know that to keep our customers connected we must continually work to identify and develop the ideas that will enable society's wireless digital future



Our vision is the statement of our ambition for the future to be central to every vital connection that people make, every day

Our core values guide how we work together and work with our customers

- We look for ingenious ways to support our customers, embracing change and fresh thinking to find solutions that add real value,
- We work with each other and our customers in a straightforward way to ensure that we are always effective and understood, we keep things simple and clear and act with integrity, and
- We bring expertise and passion to collaborative working to provide a cohesive service to our customers

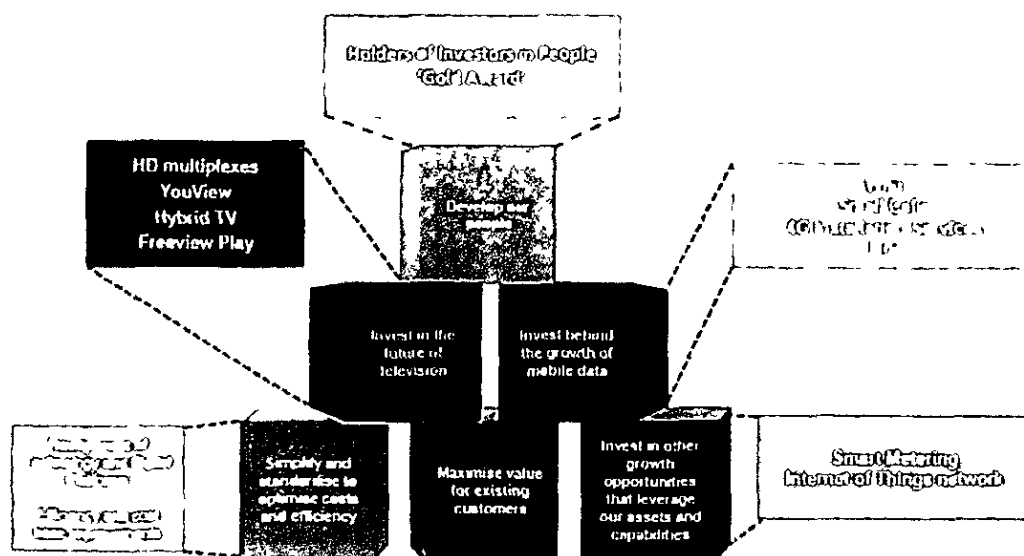
Our three strategic priorities are

- Growing a financially successful business,
- Helping our customers prosper and succeed, and
- Being a great place to work

The key steps management are taking to execute our strategy are as follows

- Investing in new machine-to-machine connectivity markets that leverage our existing skills and infrastructure. Having secured a major smart electricity and gas metering contract for the North of England and Scotland, we have begun to build our customer base in smart water metering, signing a contract with Thames Water, and have begun developing IoT networks for 10 major UK cities with our partner SIGFOX, a leading developer of IoT technology,
- Investing in the growth of mobile data usage by supporting the MNOs in their roll-out of 4G, and securing key contracts to build our WiFi presence,
- Discussions are currently progressing with the UK Government on its announcement of the intention to clear the 700MHz spectrum and Arqiva's involvement in the project,
- Investing in the future of DTT by supporting ventures such as YouView, Freeview Play, video on-demand services and the high definition capability on Freeview;
- Putting the customer first in all that we do and measuring our success by regular feedback, including the annual customer engagement survey,
- Investing in our people, including maintaining our Investors in People 'Gold Award', and
- We believe in operating in a straightforward way, and therefore we look for continual efficiency and cost base optimisation

Our strategy to build our stable core business is underpinned by the following objectives



Over recent years, we have secured scalable growth opportunities to leverage our existing infrastructure expertise and customer relationships further and increase our critical role in the UK's infrastructure network. These include:

- New uses for existing infrastructure expertise such as smart metering, local TV and WiFi infrastructure,
- Additional revenues from new capacity for digital terrestrial television channels driven by advancements in compression technology (i.e. increasing the number of video streams or channels per multiplex),
- Ongoing rollout of digital audio broadcasting ('DAB'),
- a successful consortium bid to operate a second national DAB multiplex,
- The UK Budget announcement in March 2015 stated that up to £600m will be allocated to deliver the 700MHz spectrum clearance programme which Arqiva expects to be instrumental to the delivery of,
- Increasing demand for wireless site capacity driven by the trend in increasing mobile data usage and continued roll out of 3G and 4G mobile networks, and
- Securing additional contracts in market growth areas, e.g. machine-to-machine connectivity

We continue to support and sponsor key industry initiatives designed to strengthen the media and communications sector. In recent years we have, on a number of occasions, been the headline sponsors of the British Academy of Film & Television Arts ('BAFTA') Television Awards. We also continue our long-term sponsorship of the Arqiva Commercial Radio Awards, the UK's biggest annual celebration of commercial radio.

#### 2015 review of the operating model

In March 2015, the Group announced that it had undertaken a review of its operating model, working with external consultants to benchmark its cost base and review the profitability of its services. As a result of the review, we have made the following changes:

- Focusing on larger scale growth opportunities and ceasing investment in Secure Solutions and Satellite News Gathering ('SNG'). The SNG assets were disposed of in July 2015,
- Improvement of the end to end alignment of the business
  - From 1 July 2015, activities from the Technology business unit were transferred into customer facing business units and the DTT element of Digital Platforms was transferred to Terrestrial Broadcast and hybrid TV activities (connected solutions) into Satellite and Media. Owing to this alignment, the posts of Chief Technology Officer and Managing Director, Digital Platforms have been removed,
  - From 1 October 2015, the Telecoms and Smart Metering M2M business units will be combined into one division, to be known as Telecoms and Smart Metering M2M. Furthermore, the Group Strategy and Business Development functions will be de-centralised and transferred into customer facing divisions and other central corporate functions. As a consequence, the posts of Group Strategy and Business Development Director and Managing Director, Smart Metering M2M will also be removed.
- Improvement of efficiency and cost base by right-sizing the central functions, and
- Proposing the closure of the defined benefit pension scheme to future accrual from 31<sup>st</sup> October 2015

In May 2015, an interim Chief Transformation Officer, Adam Bradley was appointed to help drive the changes. His remit is to enhance the scope, ambition and urgency of the transformation programme, embedding the transformation across all areas of the business. These changes are projected to deliver in excess of £30m annual operating cash savings, to be phased in over the next 2-3 years.

The outcome of these changes will enable Arqiva to continue to deliver a first class service for its customers with a more efficient cost base, and to rationalise its product offering

#### **Acquisitions and disposals**

No acquisitions or disposals occurred during the year

As part of the Group's review of its operating model, management identified two non-core areas of the business with fewer operational synergies and therefore lower margins. Management is in discussion with third parties as to the potential sale of these components and contracts which would generate cash for reinvestment into higher margin opportunities. The completion of these disposals would therefore enhance the future earnings potential of the Group.

#### **Business developments**

##### *Contracted order book update*

The Group's contracted orderbook value at 30 June 2015 was £6.3bn. This remained unchanged from £6.3bn reported in 30 June 2014. Since 30 June 2014 we have recorded a further £0.8bn of new contract wins across the whole business. The strength of the orderbook improves Arqiva's visibility of earnings and will underpin future revenue growth.

##### *Smart metering rollout progress*

Arqiva is building a smart metering communication network for the North of England and Scotland as part of a 15-year contract signed in September 2013 with the Data and Communications Company (the DCC, a body licensed by statute).

As the project build continues, the Group has consistently met its contracted milestones. Much of the infrastructure needed has already been built and the programme has now entered a phase of pre-integration testing. Network coverage for the service currently exceeds 60% of the target population, allowing Arqiva to recognise revenues and initiate billing. Network coverage is on track to achieve 80% coverage by the time the DCC service is operationally live in 2016.

In the year ended 30 June 2015 the Group recognised £18.1m of revenue predominantly relating to project management services including revenue in relation to progress towards the completion of the DCC design and development milestone as part of the construction of the network infrastructure.

Solution design is dependent on certain industry specifications provided by the Department of Energy and Climate Change ('DECC'). One such specification (the Great Britain Companion Specification) has changed materially, causing delay to the overall GB Smart Metering programme. In March 2015, the Secretary of State for DECC approved revised programme timescales, which extended the date energy suppliers will connect to the service to summer 2016. The changes to scope, timing and commercial terms have been agreed with DCC. A phased approach is being adopted by DCC to accommodate the assessment and implementation of further changes up to and beyond operational go-live. As a result of the specification changes, Arqiva is earning additional revenues for the change requests and will see an increase in its contracted orderbook.

##### *Smart Water metering contract win*

In March 2015, Arqiva signed a smart water metering contract with Thames Water following a competitive bidding process. The contract is for the provision of smart water metering fixed network infrastructure and associated water meters that enables the collection, management and transfer of metering data. The contract is for a 6 year term that is extendable in periods of 1-3 years up to a total of 16 years. The service is expected eventually to cover 3 million homes.

The Group is currently working on two key programme phases for the build of 17 network coverage sites and interfaces to the customer's systems. The first phase is on track for a go-live in September 2015 and the second phase is on track for a go-live in March 2016. Additional phases are expected to be contracted with Thames Water once the network coverage gradually grows. Following the receipt of initial purchase orders from Thames Water, the Group is currently contracted to deliver 17 milestones by March 2016 of which it has delivered five to date, on schedule.

##### *Internet of Things ('IoT')*

In April 2014, Arqiva signed a deal with SIGFOX, a leading international IoT business to build a national IoT network on a staged basis, starting with ten major UK cities, using SIGFOX technology. The programme is now focusing on activities to bring the network to operational and commercial readiness whilst running proof of concepts with a number of potential clients.

#### *Second national DAB licence win*

In March 2015, Sound Digital Limited, a consortium of Arqiva (40%), Bauer and UTV Media GB won a 12 year licence to operate the second national DAB Multiplex following a competitive bidding process. The contract increases Arqiva's orderbook by £34m comprising transmission fees from the share of the joint venture that Arqiva does not own plus its share of the total services revenues signed to date with radio broadcasters.

Sound Digital's planned transmission network is differentiated from the existing national multiplex by its focus on digital-only stations including start-up operators and new entrants. The service will reach national population coverage of 75% using 45 transmitters once fully commissioned. Sound Digital will provide access to 15 new radio stations including popular brands and there will be capacity for additional content providers to join the network prior to launch. The service is expected to go live in March 2016.

#### *Digital radio (DAB) rollout*

The Group has been progressing with the delivery of the DAB rollout programme under the BBC New Radio Agreement ('NRA'), and has now completed the upgrades to the analogue radio network. The build out of the Phase 4 BBC National DAB network continues and as at 30 June 2015, Arqiva had put 101 new transmitters on air increasing the BBC's UK DAB network coverage beyond 95% of the population. By the time the project is completed in December 2015, the BBC national DAB network will reach 97% of the population via a total of 392 transmitters.

The Group has also been progressing with the delivery of Commercial local DAB. The programme is part of an initiative to meet the local DAB coverage criteria of 90% as set by the UK Government in 2010. The 90% criterion was part of three overall criteria to judge when a date for a full national digital radio switchover can be set. The project requires new transmitters or upgrades at 231 sites and commenced during the 2015 financial year. It is partially funded by the BBC and the UK Government.

Following award of the second national DAB licence in March 2015 to Sound Digital, a consortium which includes Arqiva (40%), the Group has commenced construction of the transmission network and sought expressions of interest from broadcasters wishing to launch further radio services on the new national DAB multiplex. Transmitter installations at 45 sites will commence in September 2015 with commissioning planned for completion by early February 2016. Since the licence award, new contracts for radio services have been offered to three broadcasters with further channels still in negotiation. The service remains on schedule to launch in March 2016.

#### *DTT spectrum update*

The DTT platform currently uses spectrum in the 470-790 MHz bands. Plans are being developed by Ofcom and industry stakeholders to clear 700MHz (694 MHz to 790 MHz) to use for mobile data. The Group is currently undertaking a capability assessment for Ofcom to identify the work required to modify the existing DTT network infrastructure to meet the requirements for the 700MHz Clearance. Based on this information the UK Government has budgeted up to £600m for the total cost of the clearance programme which includes the cost of infrastructure changes. The funding framework is under development with initial funding requests to be made in autumn 2015 to cover programme management activities and on-going technical analysis.

In addition, European Member States have adopted a 'No Change' position ahead of the World Radiocommunications Conference ('WRC') meeting in November 2015, to ensure that the terrestrial broadcasting service will remain the principal service in the 470-694MHz frequency range (with the mobile service excluded from this spectrum). Furthermore, African Member States have also adopted a 'No Change' position ahead of WRC15 which demonstrates a strong alignment with Europe and minimises the risk of a change to the radio regulations at WRC15.

#### *DTT Multiplex utilisation*

As at 30 June 2015, all 28 streams on Arqiva's two main DVB-T Multiplexes were fully utilised, following new contract wins and the renewal of all "founder" streams. A strong period of sales in the year brought a number of new customers and brands onto the Freeview DTT platform confirming its on-going attractiveness to broadcasters for them to obtain the largest possible audiences. New channel launches since last summer on the main DVB-T Arqiva Multiplexes include Quest+1, Movies for Men, TruTV, TBN, CBS Action, and TinyPop. These renewals and new channels have added over £300m of contracted revenues to Arqiva's orderbook since 30 June 2014, leading to the highest ever orderbook figure for the Digital Platforms division of circa £0.6bn as at 30 June 2015 (2014: £0.3bn).

#### *New DVB-T2 (HD and SD) Multiplexes*

In August 2013, the Group commenced construction of the seventh Freeview Multiplex enabling broadcasts in either HD or SD to DVB-T2 equipped devices. This was fully commissioned by June 2014, reaching a maximum population coverage of 72%. In March 2015, the switch on of the eighth Freeview Multiplex commenced, also broadcasting in HD and SD.

The Group has already signed QVC, a home shopping channel which launched two of their channels in HD on the new Multiplex in April 2015. Active discussions are underway with a number of Public Service Broadcasters ('PSBs') and commercial broadcasters regarding the carriage of additional channels from their portfolios.

#### *Freeview update*

Freeview is the UK's biggest digital television provider, delivering TV content over DTT. In June 2014, as part of an effort to develop the platform further the Freeview consortium announced plans to develop a connected TV service which will make catch-up and on-demand TV available to a mass market giving viewers even more choice in how they access TV programmes. It has recently been announced that this new service will be called Freeview Play.

In November 2014, Arqiva's Digital Platforms division was awarded the contract to build Freeview Play's core infrastructure following a competitive selection process by Digital UK. The aim is for manufacturers to launch a new range of Freeview Play enabled televisions and boxes which consumers will be able to buy in store. Consumers will be able to watch the service via their TV aerial and current broadband provider without being tied to a contract. Arqiva is committed to ensuring Freeview remains a strong and competitive player in the changing TV landscape.

#### *WiFi contract win in financial services sector*

In March 2015 the Group won a 5 year contract to provide WiFi services to a leading financial institution, which covers both public and corporate WiFi (i.e. customer and business use). Under this contract, Arqiva will provide WiFi services at the institution's 700 branches, 19 administrative centres and 2 data centres.

This is the largest WiFi deal to date for the Group in terms of contracted revenue, and Arqiva's first customer in the financial services sector. The opportunity establishes the Group's footprint in this market, contributing further to its WiFi growth strategy.

#### *WiFi and Small Cells development*

In June 2015, Arqiva signed a three year contract to provide wholesale WiFi services to one of the UK's major providers of fixed broadband. The service will enable their customers to access the majority of Arqiva's Wholesale WiFi locations via smartphone and other wireless devices. The contract is part of the Group's strategy to drive further growth from its WiFi business and strengthen its foothold in this sector.

Furthermore, Arqiva has also been developing its outdoor Small Cells opportunity which is a technology that uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. The Group is currently progressing trial activity with all four UK MNOs, and participating in commercial processes to provide a managed service role in this market.

#### *UK MNO consolidation, 4G rollout and Mobile Infrastructure Project update*

During the year to June 2015 the UK telecoms market saw the announcement of a proposed acquisition of EE by BT and also a bid by H3G for Telefonica O2. The impact of any consolidation of Arqiva's customers, should the proposals receive regulatory approvals, remains uncertain and is complicated by the MNOs' positions in the two major mobile network sharing ventures. Both proposed deals would require competition authority clearances and given the likely timescales for a decision, and the complexity of unwinding or reconfiguring network sharing deals, there is unlikely to be a material impact on Arqiva over the medium term. The Group benefits from long term contracts and Arqiva's services are in high demand, particularly driven by competition between the customers, including for continued 4G build-out at high pace making use of Arqiva's sites. The Group views the potential deals as an opportunity to be a focal point of any consolidation activity given its strong site portfolio, existing customer relationships and previous experience of supporting consolidation.

Against the backdrop of consolidation activity, the four main MNOs are also all increasing their 4G network capability. Arqiva in turn is being contracted to carry out a large volume of antenna and feeder upgrade projects for its customers. The Group is therefore reporting a significant increase in Installation Services revenue in the year to 30 June 2015 and continues to expect high levels next year. To the end of June 2015 the Group has completed circa 1200 4G upgrades across Arqiva managed sites. The order book remains healthy as more orders are coming in for upgrades across our sites, currently we have a further circa 5,600 upgrades to Arqiva managed sites requested from the mobile operators over the next 2-3 years.

The Mobile Infrastructure Project ('MIP') is a strategic programme funded by the Government with the ultimate goal of providing service to areas without any mobile coverage services ('not-spots'). The Group continues with the rollout. As at the end of June, 181 sites were in the acquisition phase, together with 19 in the build phase.

#### *UK Government funding for 700 MHz and Internet of Things*

In the UK Budget announcement in March 2015, the Government stated that it will allocate up to £600m to deliver the 700 MHz spectrum clearance programme. Discussions are progressing around the grants allocation process to enable the main programme to commence.

The UK technology industry will also benefit from a further boost of £140m from the Government to develop further IoT and smart cities in the UK.

The Group is well positioned to benefit from these initiatives as it continues to engage with Ofcom to develop plans for the 700 MHz clearance and as it continues developing its IoT proposition.

#### *Appointment of new Chairman and Chief Executive Officer (CEO)*

In April 2015, the Group appointed a new Chairman, Mike Parton. Mike will oversee the business on behalf of Arqiva's shareholders and takes over from Peter Shore who was Chairman of Arqiva from 2007. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi. He moved into General Management in 1995 at Marconi and became CEO in 2001. Between 2001 and 2006 Mike was CEO of Marconi before overseeing a sale of the company to Ericsson in 2006. In 2007, Mike became Chairman of Damovo and joined the Board of Tele2, becoming Chairman there in 2010. Mike stepped down from the Board of Damovo in 2015 and joined Arqiva shortly afterwards.

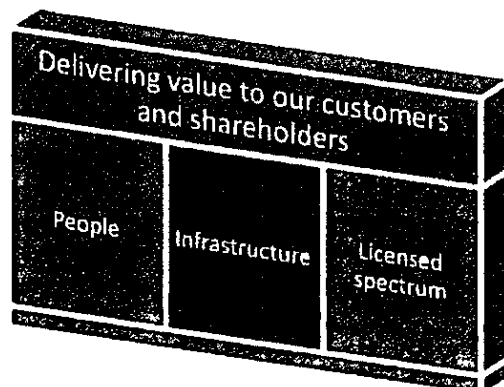
In August 2015, the Group also appointed a new CEO, Simon Beresford-Wylie. Simon joins Arqiva with over 30 years' experience in the information technology and telecoms sector. He has held roles globally, most recently helping guide the strategy and operations of Samsung Electronics' network business in Seoul, Korea. Prior to joining Samsung, Simon was CEO of UK-based Digital Mobile Spectrum Limited (DMSL) which is responsible for mitigating interference issues that arise as a consequence of the co-existence of DTT television and 4G mobile. He has also held positions as CEO for Elster Group (SE), a German-based supplier of advanced metering and gas infrastructure solutions and spent 11 years with Nokia Corporation, latterly serving on the Group Executive Board responsible for the Group's Network Business. Simon was the founding CEO of Nokia Siemens Networks which today accounts for around 90% of Nokia's global revenues and profits.

After four and a half years' service as CEO, John Cresswell left Arqiva in August after leading Arqiva through a period of strong EBITDA and orderbook growth.

## Our business model

Arqiva is a communications infrastructure and media services business, operating at the heart of the broadcast, satellite and mobile communications markets. Arqiva is also proud to play its part in the development of smart (machine-to-machine) networks, providing the next generation of 'smart connectivity' with the ambition being to provide advances in operational efficiency and the quality of information systems for businesses.

We live in an always on, always connected world. Millions of people depend daily on a continuous stream of information, education, entertainment and conversation. As more and more individuals, companies and public services organisations seek to connect safely and securely to one another, we aim to be central to every vital connection they make. Our services already touch the lives of virtually every person in the UK every day.



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 overseas.

With circa £1.8bn (net book value) invested in infrastructure assets, Arqiva utilises the expertise of its people (more than 2,000 employees) to deliver on its contracts (order book of £6.3bn). Underpinning this delivery, the Group holds the necessary licences to broadcast – for example the Group holds spectrum licences for two of the three main national commercial digital terrestrial TV multiplexes plus two new Hi-Definition-capable ('T2') multiplexes.

We invest in our infrastructure to maintain its reliability, but also to maximise its potential with the group offering a wide range of service capabilities including:

- Broadcast transmission from our towers,
- DTT and satellite multiplexes,
- Satellite transmission/play-out,
- Fibre cable connections,
- Telecommunications,
- WiFi connectivity, and
- Smart network connectivity

These service offerings are aligned into our business units outlined on page 13. Additionally, our management structure is aligned to these business units, reflecting that, whilst there are common core principles of how we operate our business, there are risks that are required to be separately managed, see page 33 for additional detail. We continue to review and adapt our business structure to drive efficiencies and optimise our cost base. In 2015, management announced that it was improving the end-to-end alignment of the business by transferring certain activities that had previously been managed centrally into the main business units (see pages 7 and 13 for further information).

Arqiva's key strengths are its people and expertise, the asset base it has built up with strategic investment and the operational licences it has won in highly competitive bids. Arqiva has an unrivalled site portfolio and the capability to deliver a broad range of services, and therefore holds a strong competitive position across markets, which generally have high barriers to entry. It is with these strengths that Arqiva strives to deliver value to customers, by providing a reliable and comprehensive service, and to shareholders through long-term, stable earnings growth.

## Our business units

For the year ended 30 June 2015, our business was aligned into the following customer-facing business units



**Terrestrial Broadcast** is the sole provider of transmission services and infrastructure for all UK terrestrial TV broadcasters including BBC, ITV and C4, who reach 20 million homes and cover 98.5% of the UK population. It also owns and operates over 90% of the radio transmission towers for terrestrial broadcasting in the UK and is the operator of both commercial national digital radio multiplexes.



**Digital Platforms** owns and operates two of the three main national commercial digital terrestrial TV multiplexes (out of a total of six multiplexes, including Public Service Broadcasters), plus two DVB-T2 multiplexes (for additional services including HD on Freeview), used for transmission of DTT services in the UK. Digital Platforms enables major media companies to bring their TV and radio services to 20 million homes with access to the Freeview platform.



**Satellite and Media** owns and operates teleports at key locations in the UK, as well as owning an international terrestrial fibre network, 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 services internationally.



**Telecoms** service the mobile communications, public safety, local government and commercial markets. Arqiva is the largest independent site share provider in the UK, offering licences to national MNOs and other wireless network operators. With its own spectrum, the Group has the strategic capability to provide complete mobile communications networks including backhaul links. The Group's WiFi infrastructure business is one of the UK's largest providers of WiFi access points.



**Smart Metering/Machine to Machine ('Smart Metering M2M')** was set up to build on Arqiva's success in winning the 15 year smart metering contract in the North of England and Scotland and to pursue the wider opportunities in this space. The smart metering contract involves building a new smart network and delivering the smart energy metering communications service for Scotland and the north of England, as well as managing engagement with the energy industry and other key stakeholders. The business unit is pursuing new business opportunities in related smart and M2M markets, including many fast developing areas such as smart water metering, smart grids and a wide set of other potential M2M applications, including the IoT.

Supported by the following centralised functions



Central **Corporate** functions comprise Strategy & Business Development, Finance, Legal & Commercial, and People & Organisation.



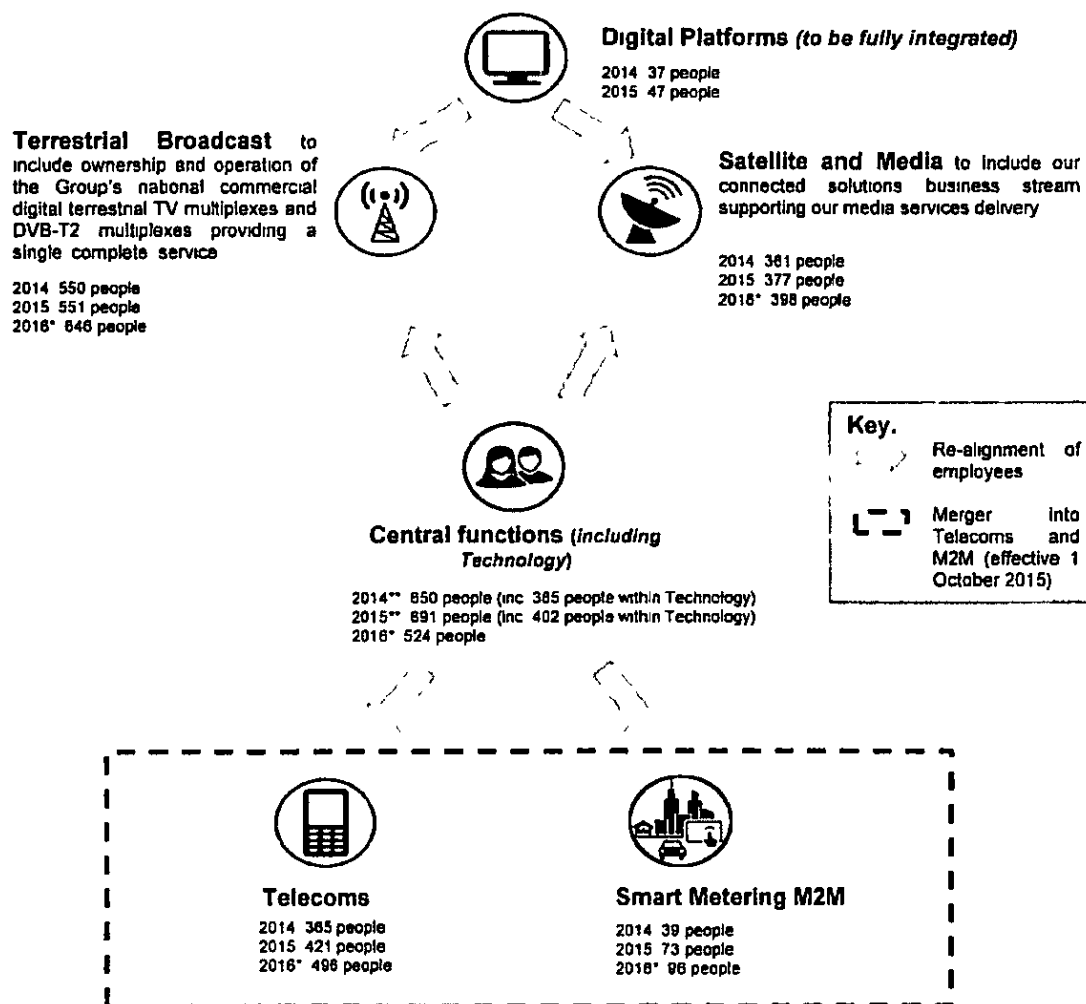
The **Technology division** supports the operational infrastructure, including monitoring and maintenance services for the whole of the Group, their focus being on service, efficiency and new technology.

During the year, management conducted a review of the operating model of the business and identified benefits from the combination of elements of the Digital Platforms unit with that of Terrestrial Broadcast, and with Satellite and Media. The result is a single Terrestrial Broadcast business unit which combines the ownership of multiplexes and the infrastructure for transmission alongside a greater service offering under a single Satellite and Media business unit.

In a continuation of the strategy to vertically align our central services we are integrating the Technology division into the business units to the extent that support activities were directly attributable. Some services will be integrated into the central corporate function where they are indirectly attributable to a number of business units.



The reorganisation was effective as of 1 July 2015 to commence operating under a structure with four customer-facing business units (Terrestrial Broadcast, Telecoms, Satellite and Media and Smart Metering M2M) supported by a single, central corporate function



\* represents the number of people aligned to each unit effective from 1 July 2015

\*\* includes total number of people within the existing corporate function and technology division as at 30 June 2015

Subsequent to the year end in August 2015 the Group announced that Smart Metering M2M would be merged with Telecoms into a single business unit, to be known as Telecoms and M2M. This move will deliver synergies with both businesses offering solutions to an increasingly shared customer base, and cloud, IP and software defined networks will accelerate the convergence of communications and connected device technologies.

Additionally the Group announced that Group Strategy and Business Development will be decentralised into other parts of the business, including our customer facing business units. This move will help to ensure our strategy is firmly grounded in our delivery capability and that our marketing is best aligned with sales activity and customer requirements. These changes will be effective from 1 October 2015.

## Financial review

### Financial highlights

- Revenue up 3.8% to £857.1m
- EBITDA up 3.0% to £418.7m
- Profit before tax and interest £98.0m (2014: £121.0m)
- Operating cash flow up 11.1% to £380.1m
- Net cash outflow on capital expenditure up 33.6% to £194.9m

### Group results

For the year ended 30 June 2015, revenue for the Group was £857.1m, an increase of 3.8% from £825.6m in the prior year. There was continued growth in Telecoms revenues relating to a significant increase in installation services connected with the upgrading of networks for 4G, growth within WiFi and other one-off project revenues relating to site-share. Growth was also seen within Digital Platforms which was driven by the increased run rate from additional channel capacity available as a result of improved compression technology and new T2 multiplex capacity together with contract renewals of founder customer deals. In Smart Metering, the Group saw additional revenues as a result of the continued solution design work, and customer billing has now commenced following the achievement of two major network coverage milestones. In Satellite and Media, overall revenues declined as a reduction in low-margin wholesale space revenues, service terminations of non-credit worthy UK DTH customers and space segment terminations within a number of Managed Networks contracts more than offset growth in other areas.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') for the Group was £418.7m, representing a 3.0% increase from £406.6m in the prior year. The current year benefits from the gross profit on the increased revenues discussed above and lower operating costs. Operating costs reduced due to an increase in the level of internal resource employed on billable projects which is cost that is transferred out of operating costs into cost of sales. In addition, higher labour capitalisation and initial savings derived from the operating model review reduced operating costs further which was partially offset by an increase in staff costs. The table below provides a reconciliation of the movements between EBITDA and operating profit.

### Reconciliation of EBITDA to operating profit

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

	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011
	£'m	£'m	£'m	£'m	£'m
Operating profit before exceptional items	139.6	126.1	151.4	147.5	103.0
Depreciation of fixed assets	119.7	122.6	105.9	94.1	89.2
Impairment of non-current assets	-	-	-	5.6	-
Amortisation	158.9	157.7	159.1	155.2	155.4
Other (including loss/(profit) on disposal of fixed assets and non interest finance costs principally bank charges)	0.5	0.2	0.2	(1.2)	0.1
<b>EBITDA</b>	<b>418.7</b>	<b>406.6</b>	<b>416.6</b>	<b>401.2</b>	<b>347.7</b>

Profit on ordinary activities before taxation and interest for the Group was £98.0m, representing a 19.0% decrease from £121.0m in the prior year. This was primarily driven by the recognition of impairment offset by additional EBITDA generated in the year. The loss for the financial year was £566.2m, compared to a £503.7m loss in the prior year. This was after non-cash charges of £764.6m (2014: £696.8m).

Non-cash charges	2015 £'m	2014 £'m
Accrued interest on shareholder loan notes	244.8	215.2
Depreciation	119.7	122.6
Amortisation	158.9	157.7
Exceptional impairment	33.7	-
Exceptional financing costs	100.5	112.3
De-recognition of deferred tax	56.6	-
Other accrued interest payable and similar charges	50.4	89.0
<b>Total</b>	<b>764.6</b>	<b>696.8</b>

The Group recognised £144.9m net (2014: £120.5m) of exceptional costs in the year. This was primarily due to financing costs (£100.5m) incurred through restructuring interest rate swaps as part of the Group's strategy to replace its 3-year and 5-year term facilities with a variety of longer-term loans and bonds (see note 4 to the financial

statements for further details), and reorganisation costs as a result of the review of the operating model. Impairment of £33.7m (2014: £nil) relates to the write down of carrying value of non-core business areas and investments.

#### Cash flow

Net cash inflow from operating activities was £380.1m (2014: £342.1m) representing an increase of 11.1%. The increase was principally as a result of additional EBITDA generated and timing differences impacting working capital.

The Group's net cash outflow on capital expenditure was £194.9m compared to £145.9m in the prior year (an increase of 33.6%). The increase was primarily due to the phasing of expenditure on project spend relating to the Smart contract.

#### Gross debt

In February 2013, the Group completed its refinancing raising funds from both bank facilities and bond markets of some £2.9bn in total. In 2014, the Group refinanced a further tranche of medium-term bank facilities (£532.5m) replacing them with new long-term debt instruments (£534.0m). In July 2014, a further £300.0m of the remaining 5-year facility was repaid following a new 15-year US Private Placement debt issue (within Arqiva PP Financing Plc, a subsidiary financing vehicle) which raised £300.0m. Following this repayment, only £353.5m of the original £1.6bn 3 and 5 year bank debt borrowed in February 2013 remains.

At 30 June 2015 the Group's financing comprised

	Notes to the financial statements	30 June 2015 £'m	30 June 2014 £'m
<b>Shareholder financing*</b>			
Shareholder equity (share capital and share premium)	19, 20	969.5	969.5
Shareholder loan notes	17	1,273.8	1,273.8
<b>Total shareholder financing</b>		<b>2,243.3</b>	<b>2,243.3</b>
<b>Bank loans</b>			
Senior term debt (including £353.5m (2014: £653.5m) relating to the 5-year facility)	17	723.5	1,023.5
<b>Other loans</b>			
Senior bonds	17	1,612.5	1,312.5
<b>Total senior** debt</b>		<b>2,336.0</b>	<b>2,336.0</b>
Junior bonds	17	600.0	600.0
<b>Total junior** debt</b>		<b>2,936.0</b>	<b>2,936.0</b>
<b>Facilities drawn down</b>	17	<b>120.7</b>	<b>0.6</b>
<b>Finance lease obligations</b>	16, 17	<b>13.8</b>	<b>14.0</b>
<b>Premium on Swap Issuance</b>	16, 17	<b>188.6</b>	<b>103.6</b>
<b>Total</b>		<b>5,502.4</b>	<b>5,297.4</b>

\*Represents finance provided by the shareholders of ABHL (see page 30)

\*\*Senior level debt refers to the Group's financing up to, and including the consolidated Arqiva Group Parent Limited ('AGPL') group, whilst junior level debt refers to the Group's financing up to, and including, the consolidated Arqiva Broadcast Parent Limited ('ABPL') group

The Group holds interest rate swaps (nominal value £1,023.2m) and inflation-linked swaps (nominal value of £1,312.5m) in order to hedge its interest rate and inflation exposure. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. Arqiva's interest rate swaps convert variable rate debt interest costs to fixed rate debt interest costs while inflation swaps convert fixed interest costs to RPI-linked costs, which fluctuate in line with the RPI index, as do a significant proportion of the Group's revenue contracts. As a result of the July 2014 debt issue, £300.0m of interest rate swaps were broken (incurring break costs of £100.5m) and replaced with new swaps (generating a premium of £100.5m) in order to match the

maturity profile of the replacement debt. Further details of the transactions entered into during the year, their basis and strategy for use is detailed within note 17 to the consolidated financial statements

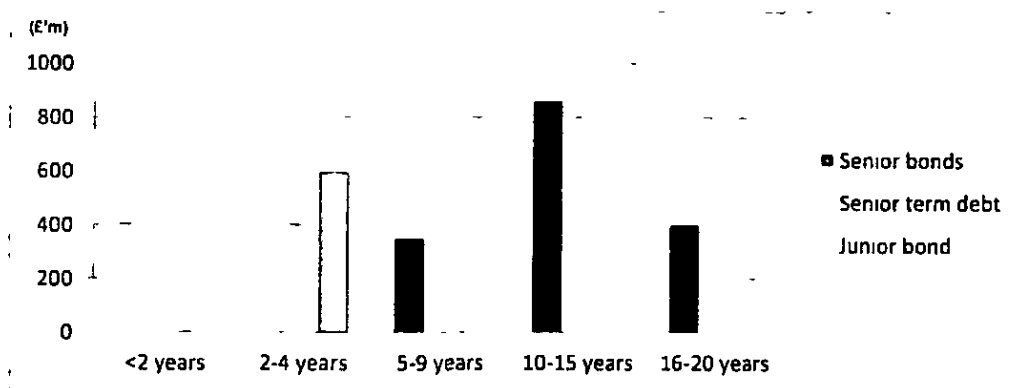
Arqiva's financing has certain financial covenants attached, principally an interest cover ratio and a debt leverage ratio which are tested bi-annually in December and June. The Group's fixed and other assets have been pledged as security under the terms of the Group's external debt facilities (see note 26)

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements

	30 June 2015	30 June 2014
<b>Covenant ratios – senior debt level</b>		
Maximum allowed ratio of net debt to EBITDA	7.50	7.50
Actual ratio of net debt to EBITDA	5.74	5.77
Minimum allowed ratio of EBITDA to interest	1.55	1.55
Actual ratio of EBITDA to interest	2.35	2.27
<b>Covenant ratios – junior debt level</b>		
Maximum allowed ratio of net debt to EBITDA	8.50	8.50
Actual ratio of net debt to EBITDA	7.10	7.13
Minimum allowed ratio of EBITDA to interest	1.50	1.50
Actual ratio of EBITDA to interest	1.76	1.70

#### Maturity profile of gross debt

The maturity profile of gross debt excluding shareholder financing is as follows



Included within the 2-4 year category is the Group's 5-year term loan facility (borrowed by Arqiva Senior Finance Limited, a group undertaking) which matures in February 2018, and the junior bond (issued by Arqiva Broadcast Finance Plc, a group undertaking) which matures in March 2020

The Group last undertook a significant re-financing exercise in February 2013 and since then has continued to re-finance elements of its debt structure further extending its maturity profile. During the year the Group raised £300.0m of US Private Placement Debt with an end maturity date of 2029 to replace £300.0m senior term debt with an end maturity of 2018. As a result of these activities in recent years, the weighted average life of gross debt has tracked as follows

Date	Weighted average life of gross debt
February 2013	6.2 years
June 2013	6.9 years
June 2014	7.5 years
June 2015	7.4 years

The Group's senior bonds are currently rated as BBB by both Fitch and S&P

### **Liquidity**

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions, which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

As at 30 June 2015, the Group has a £400.0m capital expenditure facility against which it has drawn £120.0m (2014: £nil), and £100.0m of undrawn working capital facilities to cover short term cash flow timing differences if required. In addition, the Group has £200.0m of liquidity facilities available to cover senior interest payments and a £28.5m cash reserve to cover one junior interest payment if required.

In order to support the Group's smart metering contract, in the prior year, we established two further facilities in Arqiva Smart Financing Limited ('ASFL'), a Group company that sits outside the main Whole Business Securitisation ('WBS') financing Group. The Comms Hub Receivables Purchasing ('CHuRP') facility allows the Group to borrow up to £30.0m and the Fee Facility allows the Group to borrow up to £1.6m. At 30 June 2015 a balance of £0.7m (2014: £0.5m) has been drawn against the fee facility, this loan has floating interest rates of LIBOR + 1.20% and is fully repayable on 30 June 2017. There were no drawdowns on the CHuRP facility as at 30 June 2015, this loan has floating interest rates which range from LIBOR + 1.20% to LIBOR + 1.75% during the initial six years of the facility, increasing to LIBOR + 2.50% at the end of the agreement in June 2026.

Further details of the Group's debt facilities are given in note 17 to the financial statements.

### **Going concern**

This strategic report includes information on the structure of the business, our business environment, financial review for the year and details of the principal risks and uncertainties facing the Group. Notes 15 and 17 of the consolidated financial statements include information on the Group's cash, borrowings and derivatives, and financial risk management information is presented within the Directors report.

On a consolidated basis the Group continues to present net liabilities however it represents the continued investment required to support the delivery of the Group's existing and future order book (2015: £6.3bn, 2014: £6.3bn). The Group completed a refinancing exercise in 2013 and since then has further extended the maturity profile of its debt to have a weighted average life of 7.4 years (2014: 7.5 years, 2013: 6.9 years). The Group had a net cash inflow from operating activities of £380.1m in the year (2014: £342.1m). The Company is in a net asset position of £1,768.0m (2014: £1,768.8m).

The directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements and facilities available to the Group to ensure it can continue for the foreseeable future. The directors continue to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future and consequently adopt a going concern basis in preparing the consolidated financial statements.



## Spotlight: Terrestrial Broadcast

### Services delivered

Our Terrestrial Broadcast business unit (headed by Steve Holebrook) provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90% of the UK's radio transmission, including ownership of the two commercial national digital radio multiplexes

The Group's radio and TV broadcast operations (network access and managed transmission) are regulated by Ofcom on behalf of the wholesale broadcast customers. None of the Group's other business units are regulated



**1,150** TV  
broadcast towers



**98.5%** UK  
population coverage

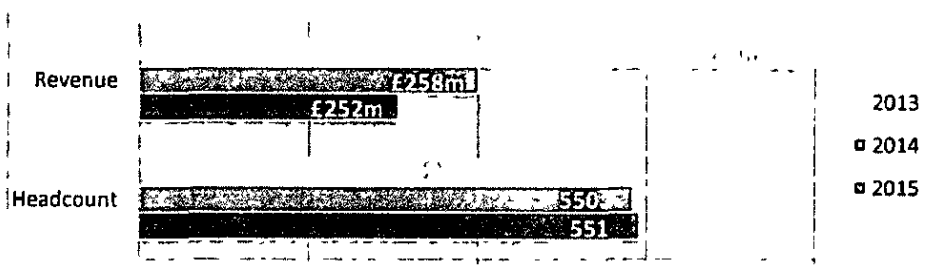


**1,450** radio  
transmission sites



**+1bn** hours of  
radio listening week

### Business unit snapshot



Revenues reduced slightly in 2015 following significant one-off project revenues generated in 2013, and to a lesser extent in 2014 from Local TV, other engineering projects and the 800 MHz Clearance programme. This reduction was partially offset by RPI linked increases on the underlying DTT TV and radio transmission contracts. The business has recruited additional headcount to support the delivery of the build phase of the BBC New Radio Agreement, which will expand the coverage of DAB to 97% of the population by December 2015, and other new projects including the award of a second national DAB licence to our joint venture, Sound Digital. Together these projects will bring additional channel capacity in the future.

### Market snapshot

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 have been key to the technological evolution from analogue to digital based services and are critical to all terrestrial TV and radio broadcasters. Our customers include BBC and ITV as well as a number of independent radio groups. The switchover of the UK's terrestrial TV system to a high power digital transmission service (DSO) together with technological change within the broadcast industry are key market changes which continue to impact the Group's existing businesses.

The successful completion of DSO has demonstrated the capability of the Group to deliver large scale complex infrastructure projects on time and under budget, and while the construction of this high power digital network has been financed by Arqiva it is supported by long term contracts with key broadcasters, including the BBC, that have more than 15 years to run and contribute around £3 billion to the contracted forward order book of the Group.

The Group has remained at the forefront of new developments in UK broadcasting. In March 2015, Arqiva was part of a successful consortium bid to operate the second DAB multiplex for the UK as the digital radio market expands. As part of the 'New Radio Agreement' signed in 2014 the Group has continued to increase DAB coverage to strengthen DAB as a platform for the future, ahead of the potential switch over from analogue radio. The Group is currently undertaking a capability assessment for Ofcom to identify the work required to modify the existing DTT network infrastructure to meet the requirements for the 700MHz Clearance. Based on this information the UK Government has budgeted up to £600m for the total cost of the clearance programme which includes the cost of infrastructure changes. The funding framework is under development with initial funding requests to be made in autumn 2015 to cover programme management activities and on-going technical analysis.



## Spotlight: Digital Platforms

### Services delivered

Our Digital Platforms business, now (from 1 July 2015) part of Terrestrial Broadcast, owns and operates two of the three main national commercial digital terrestrial TV multiplexes, plus two DVB-T2 multiplexes (capable of providing additional services including HD content). Digital Platforms works with major media companies to bring their TV and radio services to viewers via the Freeview platform.

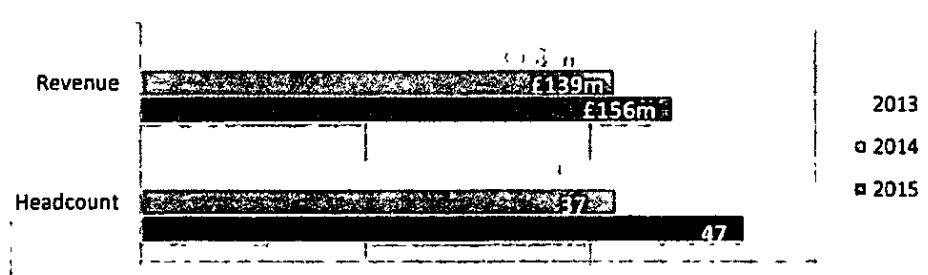


**4** multiplex licences



**1st** DTT IP capability

### Business unit snapshot



Revenues were 12% up from the prior year principally as a result of founder contract renewals being uplifted to market prices. Advances in compression technology and two new T2 multiplexes have allowed the Group to generate additional revenues from additional digital terrestrial TV channels. In FY15, headcount increased following the acquisition of Capablue Limited to support our connected solutions service offering.

### Market snapshot

Arqiva has continued to run at high levels of channel utilisation with customers including Sky, Film4 and UKTV. Contracts vary in length but are usually between three and five years duration. Advancements in compression technology (i.e. increasing the number of video streams, or channels, per multiplex) continue to provide opportunities for additional revenues from new capacity for digital terrestrial TV channels, with more than £200m of contracted revenues being added/renewed in the year.

The DTT platform currently uses spectrum in the 470-790 MHz bands with plans being developed to clear 700MHz (694 MHz to 790 MHz) to use for mobile data. Major European Nations (fourteen in total including the UK, France, Spain and Italy) and a recent consultation prepared by European Member States and the European Commission in November 2014 support a European common proposal to ensure that there is no change to the existing regulatory arrangements for terrestrial broadcast spectrum in the 470-694 MHz range. The proposal is to reserve this range for terrestrial broadcast use and continue to exclude mobile services in this band across Europe. This is the position that the Group anticipates Europe collectively will align behind at the World Radiocommunications Conference (WRC) meeting in November 2015.

Following the acquisition of Capablue Limited in February 2014, we have created the first IP capable DTT platform becoming the only provider with the capability to offer linear and non-linear video distribution across DTT, Satellite Direct to Home and via the Internet. From 1 July 2015, the 'connected solutions' offering has been incorporated within our Satellite and Media business unit to respond to the converging of technologies in the market.





## Spotlight: Satellite and Media

### Services delivered

Our Satellite and Media business unit (headed by David Crawford) provides a range of services to transmit and play-out content around the globe. We supply satellite space and provide our customers with up-linking and down-linking services to offer a satellite and fibre distribution network to distribute our customers' data and programming, including c 50% of all channels on the Sky platform. Our media management services include the play-out of content, watermarking and advert placement. Additionally, we are able to offer secure and reliable satellite data communications to remote and hostile locations with customisable end-to-end solutions currently provided to energy companies and defence organisations.

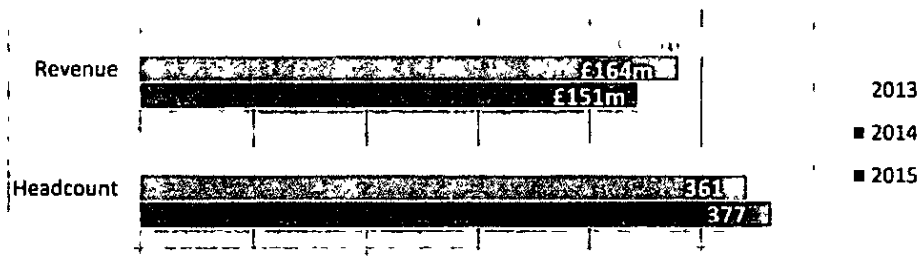
 **80** earth stations  
accessing 40+ satellites

 **5** to sports

 We deliver via satellite to  
**5** continents **24/7**

We deliver content across 5 continents supported by offices in the US, Europe and Asia for customers such as Turner Broadcasting and NBC Universal.

### Business unit snapshot



Revenues have declined in recent years as a result of the exit of business from the low margin Wholesale Satellite Space market, and additionally in the past year as a result of service terminations of non-credit worthy customers and space segment terminations within a number of Managed Networks contracts. These reductions were largely offset by a fall in the cost of sales associated with maintaining satellite capacity. Additional focus on capacity utilisation and management of the cost-base resulted in improvements in the gross margin percentage and also limited the impact of revenue reductions on the Group's EBITDA. Average headcount increased primarily due to the expansion of our play-out services within Asia during 2014, with the full effect being felt in 2015. Whilst the business has exited the Wholesale Satellite Space market, this was low margin and low labour-intensity and therefore did not have an impact on our headcount.

### Market snapshot

Arqiva's satellite infrastructure provides high levels of connectivity, reliability and security. Arqiva owns, manages and operates teleports and media hubs at key locations, multiplexes and an international fibre network. The Group was proud to receive the 2014 Independent Teleport Operator of the Year award from the World Teleport Association. We are now a four-time recipient of this respected award.

In recent years there has been growth in the number of different platforms, including the use of over-the-top ('OTT') services and Internet Protocol ('IP') delivered content. The broadcast market has, however, seen convergence in these technologies through, for example, Smart TVs and set-top boxes providing the end-user with a seamless experience regardless of the delivery method. As a result of the operating review carried out during the year, Hybrid TV activities have moved in to the Satellite and Media business unit. For satellite, therefore, the amalgamation of these additional services provides longevity to satellite distribution which is often thought of as more 'traditional television'.





## Spotlight: Telecoms

### Services delivered

Our Telecoms business unit (headed by Nicolas Ott) works with national MNOs and other wireless network operators to enable complete mobile communications networks including backhaul links

We work with major mobile providers such as EE, Vodafone, Telefonica O2 and H3G to provide them with access to our masts and towers and to deliver equipment upgrades, e.g. for the national roll-out of 4G

In addition, the Telecoms business unit manages the Group's WiFi infrastructure business which is one of the UK's largest access point providers including the largest airport hotspot provider



**32bn**  
number of mobile  
connections in the UK

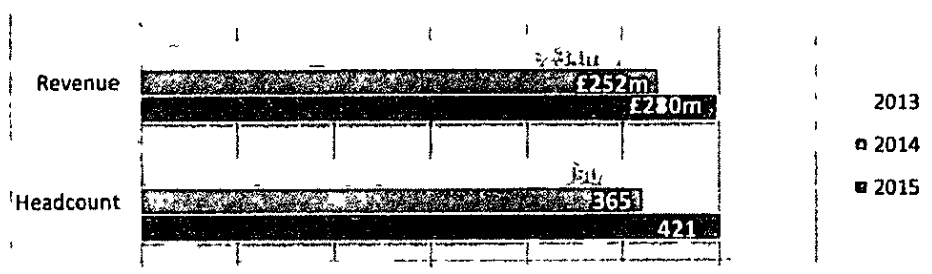


**7m** WiFi  
sessions / month



**250,000+** street  
level assets available for  
small cell networks

### Business unit snapshot



Revenues increased by 11% from the prior year primarily as a result of increased installation services activity as the major MNOs look to accelerate the roll out of 4G capability across our sites. Additionally the Group saw growth in its WiFi business, by signing new contracts with an MVNO and a financial institution in the year in the financial services sector, in addition there were one-off project revenues within our site share business

### Market snapshot

The Group is the UK's largest independent provider of towers which are critical to MNOs' contractual obligations to provide national coverage. Revenue from the Group's tower portfolio is secured by contracts with all of the large UK mobile operators. Planning restrictions create high barriers to entry. The release of 4G spectrum in 2013 for use in the mobile market is also driving growth in demand.

Arqiva continues to work closely with the MNOs as they seek to reduce their costs by network consolidation. The Group is a key supplier in this market, with long term contracts with all the UK MNOs. We aim to ensure we are at the heart of the mobile operators' consolidation plans. 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 and hence the demand for WiFi, and in the future, small cells.

The MNO market is highly competitive with a recent trend of MNOs seeking to develop a 'quad-play' service offering (i.e. mobile, landline, television and broadband). This has prompted recent merger and acquisition activity with BT Group announcing in February 2015 an agreement to acquire EE and Hutchison Group announcing a deal to acquire O2 in the UK to combine with its Three mobile group. In both cases a regulatory decision is expected in March 2016.

Recent research predicts that by 2019, WiFi networks will carry more than 50% of smartphone and tablet data traffic. Arqiva has a strong presence in this market and has adopted a wholesale WiFi strategy, successfully signing up a major MVNO in 2014 on a volume-order basis. In 2015 the Group signed a three year contract to provide wholesale WiFi services this MVNO, who is one of the UK's major providers of fixed broadband, providing their customers with access to the majority of Arqiva's Wholesale WiFi locations via smartphone and other wireless devices. The Group continues to work towards selling WiFi services to other MNOs and MVNOs.



## Spotlight: Smart Metering M2M

### Services delivered

Our Smart M2M division (headed by Wendy McMillan) was established in September 2013 when the Group signed a 15 year contract with the Data and Communications Company ('DCC') to provide smart metering communications for approximately 9.3m homes and small businesses in Scotland and northern England. Work is underway to build the network required to deliver the service, and all DCC contract milestones due were achieved as at 30 June 2015.

Additionally the business is working in partnership with SIGFOX to build an ultra-narrowband network as demand for machine-to-machine connectivity grows.

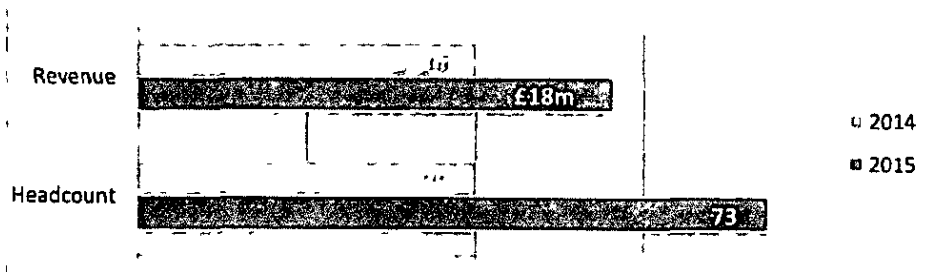


**One** of the UK leaders in smart metering



**9m** homes and small businesses will use smart meters supported by Arqiva

### Business unit snapshot



Since the award of the contract, Arqiva has consistently met all of its contracted delivery milestones on time and to the required quality. Datacentres have been built and tested and a service management centre has been established. A key 25% network coverage milestone was achieved by 31 December 2014 and the 40% network coverage was achieved to schedule on 1 April 2015. We have since reached 60% coverage as at the date of this report enabling billing to commence. Due to customer delays in finalising the design specifications, the Group accepted a contract variation which has revised the timing of the next milestones (including user-acceptance testing) and provided the Group with a compensation mechanism for the delay-led truncation of the operational phase of the contract. In the year ended 30 June 2015 the Group recognised £18.1m revenue (2014: £12.8m) primarily relating to project management services in relation to progress towards the completion of the design and development milestone, as part of the construction of the network infrastructure.

### Market snapshot

Arqiva is continually looking for opportunities that complement the Smart North contract, and in April 2014 the Group signed a partnership deal with SIGFOX for which Arqiva will undertake the build of a dedicated ultra-narrowband IoT network. The IoT network is designed for 'machine to machine' communications and with the market still in an early growth stage, there are indications of an increasing momentum with, only recently, the Chancellor's 2015 Budget announcing a £140m investment to develop applications for this technology. Furthermore Ofcom have been championing investment to help make the UK a global lead in IoT technology. With an estimated 40 million devices connected in the UK, this is forecast to increase by 800% by 2022 (*Ofcom January 2015 report*). During the year the networks were launched in 10 major UK cities and discussions with potential customers are continuing.

In March 2015, Arqiva signed a smart water metering contract with Thames Water following a competitive bidding process. The contract is for the provision of smart metering fixed network infrastructure and associated water meters that enables the collection, management and transfer of metering data. The contract is for a 6 year term that is extendable in periods of 1-3 years up to a total of 16 years. The service is expected eventually to cover 3 million homes and the Group has commenced network build as per the customer requirements.

Subsequent to the year end in August 2015 the Group announced that Smart Metering M2M would be merged with Telecoms into a single business unit, to be known as Telecoms and M2M. This move will deliver synergies with both businesses offering solutions to an increasingly shared customer base, and cloud, IP and software defined networks will accelerate the convergence of communications and connected device technologies.

## Key performance indicators

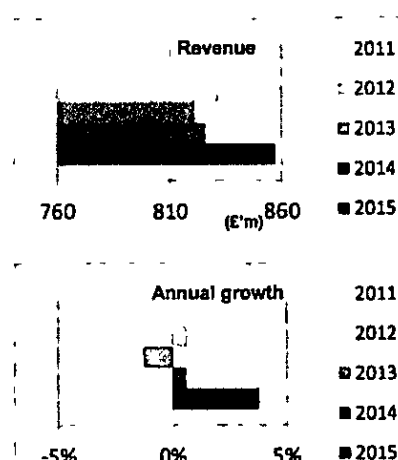
The Group uses a mixture of financial and non-financial key performance indicators ('KPIs') to measure progress against our strategic priorities. Our financial KPIs balance short-term measures (e.g. operating cash flow) with long-term measures (e.g. revenue growth, return on fixed assets and underlying EBITDA) to deliver value to our shareholders. Non-financial KPIs focus on delivery of major project milestones, raising our performance to delight our customers and investing in our people to create a successful workplace.

### Strategic priorities (see page 6)

- Growing a financially successful business (financial success),
- Helping our customers prosper and succeed (our customers), and
- Being a great place to work (our people)

### Financial success

#### Revenue and revenue growth



#### Definition and basis of calculation

Revenue is net of value added tax and is reviewed in accordance with amounts presented as turnover in our financial statements.

Revenue growth is calculated by measuring current and prior year revenue, excluding material revenue from businesses acquired or disposed of in those periods.

#### Result

2015 saw the Group achieve its highest ever reported revenue.

Following completion of the DSO project in 2012 the Group has continued to be successful in securing key contracts to deliver underlying revenue growth. Underlying revenue growth has been achieved, for example, due to additional channel capacity utilisation and renegotiation of Digital Platforms founder contracts to current market rates.

Additionally the Group has experienced growth in Telecoms revenues principally as a result of growth in installation services activity as MNOs seek the upgrading of networks for 4G capability, and also Smart Metering as a result of the Smart metering contract win.

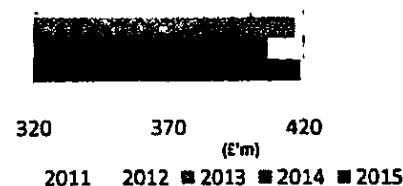
### EBITDA

#### Definition and basis of calculation

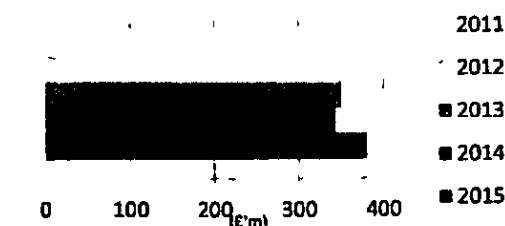
EBITDA is an important measure for the Group reflecting the level of business profitability and cost efficiency – see page 15 for its reconciliation back to operating profit.

#### Result

A 4-year annualised growth rate of 4.8% has been achieved. 2013 saw a high EBITDA due to high one off project revenues. The Group has achieved revenue growth and has continued to review its operating model to balance cost efficiency with delivery.



### Operating cash flow



#### Definition and basis of calculation

Operating cash flow represents the 'quality' of earnings generated by the business and is presented in accordance with the financial statements.

#### Result

A 4-year annualised growth rate of 6.1% has been achieved.

Operating cash flow for FY15 is derived from EBITDA after the deduction of £26.7m working capital and £45.4m exceptional operating expenditure.

## Our customers

### Network availability

	Own TV Multiplex Availability	Combined Network Availability
2013	99.99%	99.99%
2014	99.95%	99.95%
2015	99.93%	99.91%

#### Definition and basis of calculation

We strive to provide consistently high service levels and look to manage and monitor the total annual level of network availability across both TV and radio infrastructure as a percentage across all multiplexes

#### Result

Through careful management we have consistently been able to achieve our target. Despite meeting our target, network availability in 2015 was lower than in 2014 due to severe weather conditions. In January 2015, particularly in the north of England and Scotland, which affected a number of transmitting stations.

### Delivery on our customer promises

#### Definition and basis of calculation

When we undertake significant engineering projects, such as network deployment, we measure our performance on delivery against the key contractual milestones.

#### Result

The Group has continued to meet its contractual milestones on time and at the required quality and continues to engage with all contract stakeholders to meet future milestones. This includes:

- Completion of the 60% network coverage milestone on the Smart Metering M2M contract with Communications Service Provider for the North ('CSP North'),
- Finalisation of the initial implementation protocols milestone on the Thames Water Metering contract, and
- Completion of 101 new transmitters to increase BBC's UK DAB network coverage beyond 95% of the UK population as part of the BBC NRA contract.

## Our people

### Investors in people

#### Definition and basis of calculation

The Group takes part in the 'Investors in People' accreditation for which more than 16,000 UK businesses take part.

#### Result

The results of the 2015-16 survey are to be announced in 2016, however the Group has maintained its Gold award through 2013-14 and 2014-15. Less than 4% of participants achieve Gold Standard.

	Investors in people award
2012-13	Silver
2013-14	Gold
2014-15	Gold

## Corporate responsibility

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Everything we do at Arqiva is guided by our values to go the extra mile to help our customers reach their customers and audiences. At Arqiva we will endeavour to conduct our business in a way that benefits our customers, suppliers, employees, shareholders and the communities in which we operate.



We believe we have a role to play in shaping our dynamic industry

We actively engage with government, trade associations and other industry players as we know that to keep our customers connected we must continually work to identify and develop the ideas that will enable society's wireless digital future

**Our Purpose** is the reason why our business exists and is the difference we are trying to make for our customers – our purpose is

*We connect people for an enriched and safer life*

**Our Vision** is the statement of our ambition for the future – our vision is

*To be central to every vital connection people make, every day*

**Our Values** sit at the heart of who we are and what makes us special. We believe in three core values where we aim to be

**Ingenious** we find ingenious and smarter ways to support our customers, we inspire customers and each other, we embrace change and fresh thinking, we find solutions that add real value

**Straightforward** we talk and act in a clear and straightforward way to make sure we are always effective and understood, we keep things simple and clear, we act with integrity, we are plain speaking and we listen

**Collaborative** we bring expertise and passion to collaborate as one team and go that extra mile, we engage widely and act as one team, we take personal responsibility, we build on our strengths

### Environment

The Group is committed to complying with all applicable environmental legislation and annually assesses the environmental impact of its activities, products and services and aims to reduce any negative impacts through active environmental management. The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001, the latter being the voluntary International Standard for "Energy Management Systems"

Energy consumption is a key area of interest for the Group given it is a significant consumer of electricity. Arqiva has launched a new energy policy which reflects the company's commitments to improving energy efficiency by

- Reducing energy consumption,
- Investing in energy efficient technology, and
- Monitoring carbon emissions

One of Arqiva's business aims is to reduce carbon emissions and energy costs whilst complying with energy legislation. We have a dedicated team looking at new and innovative ways of driving down our carbon footprint. Responsible management of energy has a key role in minimising our environmental impacts and is embedded within our company. We are investigating how emerging technologies and ingenious ways of working can help us and our customers become more environmentally friendly. As new technologies emerge and legacy equipment is replaced we look for the most environmentally-friendly ways to dispose of redundant hardware. For example, following the completion of the DSO programme we had to remove and dispose of our analogue television infrastructure, and managed to recycle over 90% of the waste.

The Arqiva energy policy is committed to ensuring we meet, and where possible, exceed the requirements of applicable legislation, policies and other commitments to which we subscribe. All employees are encouraged to participate in the energy reduction aims of the company, and the Arqiva Management Board support the energy policy, as well as promoting and maintaining a high profile for carbon and energy issues within the organisation.

We have achieved year on year energy consumption reductions and continue our efforts to make further reductions. The business aims to reduce energy consumption by 1% per annum, and as at June 2015, a 0.7% reduction has been achieved against prior year having achieved a considerable reduction in the previous period (2014: 1.9%), representing an average annual reduction of 1.3% over the two year period.

### Health and safety

The Group 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 OHSAS18001. The Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

### Information security

Due to the critical importance of our sites and systems to the Arqiva Group, our customers and in some cases as part of the Critical National Infrastructure, the Group takes information security very seriously.

Last year, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification for all platforms and services (end to end) for all of its UK locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and we can confidently demonstrate our security-conscious culture and compliance with this internationally recognised standard. There are two physical security audits and two internal security audits conducted every month in order to maintain our certification and since certification, we have passed every audit.

### Employees

The average number of persons employed by the Group during the year was 2,160 (2014: 2,002). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

The Group's policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political belief, disability or age.

The table below provides a breakdown of the gender of Directors and employees.

	Male Number / (%)	Female Number / (%)
Shareholder Board membership	8 / 80%	2 / 20%
Management Board membership	9 / 90%	1 / 10%
Arqiva Group employees	1,682 / 78%	478 / 22%

*Note:*

*Board membership refers to the Group's Shareholder Board (including alternates and non-executives). Senior management refers to the Group's Management Board. For further details see page 30.*

The Group continues to address training and development requirements for employees at all levels within the organisation. The Board also reviews future management requirements and succession plans on an ongoing basis.

In 2013-14 and 2014-15 Arqiva received an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. Arqiva is committed to retaining this award, and will next be assessed in 2016.

During the year, the Group was pleased to announce its democratically elected Arqiva Employee Board ('AEB'). The AEB has been set up to provide a voice for employees across Arqiva and provide a clear and direct link between the Group's employees and management board. The AEB has since met on a monthly basis to discuss key matters such as performance management, or efficiencies and process in order to develop responsive action plans. The AEB (as well as the Management Board) also interacts with representatives of the Broadcasting, Entertainment, Cinematograph and Theatre Union ('BECTU') regarding employee matters.

The Group's employee forums provide an effective channel for communication and collective consultation across the Group. 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.

Significant emphasis is placed on employee communication. The Group intranet 'Connect' makes information available to employees on all matters including company performance, growth, and issues affecting our industry. The embedded values "ingenious, straightforward, and collaborative – Always", continue to form the fundamental basis of all Arqiva business conduct and communication. Our quarterly employee magazine - 'IQ' - includes business news, information on special projects, people profiles, environmental and charity initiatives and competitions.

We want all our employees to benefit from our success and growth as a business. Our annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with our values. The scheme takes into account the targets that

have been set by the Group and then multiplies this by a personal performance rating. The company must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the Group financial KPIs of EBITDA, revenue and operating cash flow. The bonus payment for the 2015 financial year will be made in September 2015.

#### **Charitable donations, community and social activities**

Taking a collaborative approach to our work, our people and the communities in which we operate is an important company value for us. It is one of the reasons why we continue to partner with The Prince's Trust and Walking with the Wounded ('WWTW') charities.

We are continuing to support The Prince's Trust fundraising efforts, such as the Palace to Palace bike ride in October 2014, our second year of involvement, where up to 4,000 people rode from Buckingham Palace to Windsor Castle. Arqiva is also a patron of The Prince's Trust. The Prince's Trust focuses its efforts on helping young people with practical and financial support, and developing key workplace skills. Arqiva has committed to raising funds for The Prince's Trust 'Million Makers' challenge. There have been a number of fundraising events over the course of the year with the Trust using amounts raised to invest in a small-scale enterprise challenge pitting teams against each other across the UK. The work of The Prince's Trust fits perfectly with our purpose, vision and values as its key aim is to keep young people connected with society. As part of our Corporate Responsibility strategy, we continue to work with The Prince's Trust to help them run programmes that encourage young people to take responsibility for themselves and help them build the life they choose rather than the one they've found themselves with.

During the year, the Group made a significant number of charitable donations. 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 scheme - the UK's leading payroll giving scheme. Employees are supported to take part in corporate volunteering activities whereby they give their time to local charities and organisations for special projects which has included numerous activities such as upgrading the garden area at a local educational farm.

Global Corporate Challenge ('GCC') is a wellness programme that encourages participants to be active over a 100 day period, using pedometers to track daily steps. This year, Arqiva has 20 teams (made up from 130 employees) participating from a number of different locations including a US team. They will be joined by over 40,000 other teams from 1,500 of the world's largest employers. Arqiva is committed to supporting musculoskeletal health, and this challenge is a great activity to strengthen muscles and bones, and reduce the risk of injury.

Arqiva has also demonstrated its commitment to promoting health and wellbeing by launching the 'Arqiva Be healthy' programme, aimed at promoting health initiatives and healthy lifestyle choices. In addition, we have entered 'Britain's Healthiest Company' competition which aims to recognise and reward companies and their employees in their effort to lead healthier lifestyles.

#### **Taxation**

Our approach to tax is to ensure compliance with all our legal and statutory obligations and how the legislators intended the laws to be followed. We are committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which we operate. The total contribution to UK tax receipts including business rates, tax and NI paid by both Arqiva and employees, totalled £83.1m (2014: £78.6m) for the financial year.

The Arqiva Group is a primarily UK based infrastructure group, while there are some trading operations outside of the UK these generate only 1% of EBITDA and there are no tax planning activities undertaken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of the UK. The Group's small trading entities overseas deal directly with customers in their area of residence and fulfil their tax requirements in the local jurisdictions.

This report was approved by the Board of Directors on 11 September 2015 and signed on its behalf by



**Mike Parton**  
Chairman

11 September 2015



# Governance

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## Board of directors

The Company is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board (48%), Macquarie European Infrastructure Fund II (25%) plus other Macquarie managed funds (1.5%), Health Super Investments Pty Limited (5.5%), Industry Funds Management (14.8%) and the Motor Trades Association of Australia (5.2%). There is no ultimate controlling party of the Company, as defined by FRS 8 'Related party disclosures'.

There are two investor companies which are related parties with the Group, in accordance with FRS 8, by virtue of significant shareholding in the Group:

- Frequency Infrastructure Communications Assets Limited ('FICAL') (48%), a company controlled by the Canada Pension Plan Investment Board. The Canada Pension Plan Investment Board is a professional investment management organisation based in Toronto which invests the assets of the Canada Pension Plan. The Canada Pension Plan Investment Board was incorporated as a federal Crown corporation by an Act of Parliament in December 1997.
- Macquarie European Infrastructure Fund II ('MEIF II') (25%), an investment fund managed by the Macquarie Group. Macquarie European Infrastructure Fund II is a wholesale investment fund focusing on investments in high-quality infrastructure businesses across Europe. Macquarie Group Limited is listed in Australia (ASX:MQG ADR:MQBKY).

On 27 March 2015 Peter Shore resigned as Chairman following eight years in the role. During this time the Group has experienced substantial growth and been through some important milestones – acquiring and integrating National Grid Wireless, completing the Digital Switchover (the biggest engineering project in the history of UK television), won a significant role in the national Smart Metering Project and completed a major refinancing. The Board expresses its thanks and wishes Peter all the very best with his future projects and endeavours.

It is with deep sadness that the Board has to announce that Peter Douglas, having resigned on 31 July 2015, passed away in August. Peter had been part of the organisation (and its predecessors) for more than 40 years, and his wide and detailed knowledge of the business, coupled with his persuasive and straightforward management style, commanded respect and admiration for those that worked with him. Peter's personal contribution to the growth and success of Arqiva is unparalleled and, on behalf of the company, we send our best wishes to Peter's family at this time.

In addition, the Board would like to express its thanks to John Cresswell who resigned as Chief Executive Officer on 31 July 2015. After four and a half years' service, John left Arqiva in August having led Arqiva through a period of strong EBITDA and order book growth and through a period of business diversification enabling us to deliver record revenues this year. We wish John every success in the future.

The Shareholder Board is comprised of the following officers who were in office (on behalf of the shareholder consortium) during the year and up to the date of the signing of the annual report and financial statements:



**Mike Parton**  
Chairman  
(appointed 1 April 2015)

Mike joined Arqiva as Chairman in April 2015 bringing a wealth of experience from his background in telecoms and technology. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi.



**Clive Ansell**  
Independent non-executive

Clive has previously held senior positions at Tribal plc, Royal Mail Group, BT and the London 2012 Olympic bid team.

He is also a Non-executive Director at Eckoh plc as well as at Arqiva.

### **Appointed by Frequency Infrastructure Communications Assets Limited\***



**Paul Mullins**  
Director  
(appointed 2 October 2014)

Paul heads Canada Pension Plan Investment Board's Portfolio Value Creation group which oversees and supports assets in the Infrastructure, Natural Resources and Private Equity spaces. Paul is a member of the investment committee for Private Investments. Prior to this he was at Permira Advisors LLP and a Partner and Managing Director at the Boston Consulting Group.



**Robert Wall**  
Director

Prior to joining CPP Investment Board in July 2007, Robert worked as a Senior Engineer with Buro Happold Limited, Bath, United Kingdom. Previously he was an Engineer with Beca Carter Hollings & Ferner Ltd, Wellington, New Zealand.

Additionally, Directors included Alain Carrier (resigned 2 October 2014) and Peter Douglas (resigned 31 July 2015). Alternate directors included Pratul Kaushiva (resigned 31 July 2015) and Andreas Kotterng (resigned 2 October 2014).

**Appointed by Frequency Infrastructure Communications Assets Limited and Health Super Investments Pty Limited (joint appointment)**



**Sally Davis**  
Director  
(appointed 15 July 2015)

With over 30 years in the TMT sector Sally has held a number of senior product, strategy and chief executive roles including being a former Chief Executive of BT Wholesale, one of the four operating divisions of BT. Prior to this, Sally had an early product management career at Mercury Communications before becoming a director at NYNEX during its merger with Bell Atlantic to become Verizon.

Sally is also a Non-Executive Director of the Boards of Telenor, Logitech, and City Fibre Holdings.

**Appointed by Macquarie European Infrastructure Fund II**



**Nathan Luckey**  
Director  
(appointed 1 July 2015)

Nathan is an experience investment director in Private Equity Infrastructure with transaction expertise in listed and unlisted environments including cross-border transactions, across the Utilities, Telecommunications, Transportation and Media sectors.



**Mark Braithwaite**  
Director  
Directors included Edward Beckley (resigned 1 July 2015)

Mark joined MIRA in 2011 bringing considerable expertise in the regulated utility sector in the UK. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of Senior Finance positions at Seaboard plc.

**Appointed by Industry Funds Management.**



**Christian Seymour**  
Director

Alternate directors included Adnanus Wamsteker (resigned 29 August 2014) and Deepu Chintamaneni (appointed 2 October 2014).

Christian is Head of Infrastructure at IFM Investors, responsible for the business expansion in Europe and oversight of IFM's existing European asset portfolio, of which Codan Trust Company is an investment vehicle. Christian is located at IFM's London office.

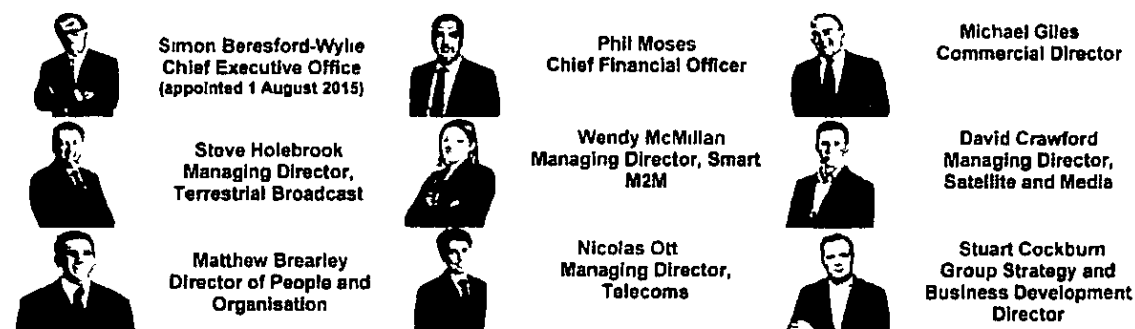
**Appointed by Industry Funds Management and Motor Trades Association of Australia (joint appointment)**



**Damian Walsh**  
Director

Damian is a Partner in Heidrick & Struggles, a leading global executive search firm where he is a member of the global Industrial and CEO & Board practices. Damian has more than twenty years' international experience as a chartered accountant, management and leadership consultant. As the Director of Tax in the Ernst & Young Global Office, Damian was responsible for strategy formulation and execution to grow the business across key geographies, industries and service lines.

The Management Board consists of the Executive Directors aligned to the operational structure of the business



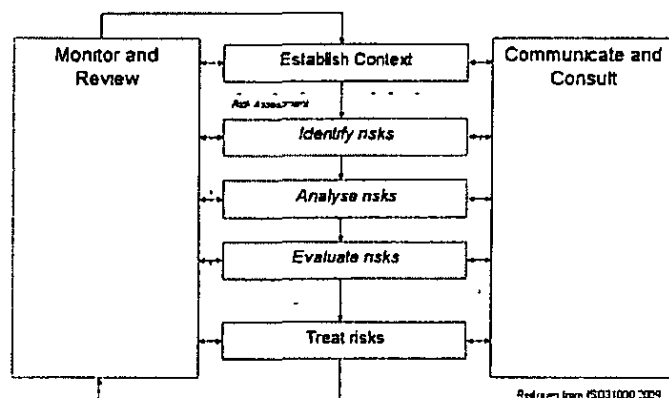
Adam Bradley was appointed to the Management Board as Interim Chief Transformation Officer on 5 May 2015 to lead the business transformation programme. With an effective date of 30 June 2015, Charles Constable (Managing Director, Digital Platforms) and Cameron Rejali (Chief Technology Officer) left the Group. We thank them both for their valuable contributions and wish them well in the future.

Subsequent to the year end, the Group announced the alignment of Telecoms and Smart Metering M2M into a single business unit and the integration of Group Strategy and Business Development primarily in the customer facing business units (see page 14). As a result of these changes Stuart Cockburn and Wendy McMillan will be resigning from the Management Board on 30<sup>th</sup> September 2015 and 31<sup>st</sup> October 2015 (respectively).

## Principal risks and uncertainties

The appropriate, enterprise wide management of risk is important for us to meet our corporate objectives and for us to protect our future competitive advantage. The strategic importance of risk management is recognised by top performing companies and is an important part of good corporate governance. Arqiva subscribes to the Enterprise Risk Management ('ERM') approach to managing its risk profile.

Our approach to managing risk is in accordance with the ISO31000:2009 Risk Process.



To manage risk, a risk register has been developed for each business unit. This is then consolidated into a corporate risk register; the former being reviewed on a monthly basis by business unit management, the latter is reviewed by the management board on a quarterly basis.

**Management:** First defence is the day to day controls and processes put in place by management to mitigate the risks.

**Management:** Quarterly review of the corporate risk register to include review of risk management policies, setting of risk appetite, monitoring compliance and reporting of significant risks to the Board of Directors.

**Internal audit / Audit committee:** Independent business assurance provided over the effectiveness of the Group's system of internal controls and processes, and the effectiveness of the risk management framework.

A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions, in addition the Group has long term contracts in place with a number of significant blue chip customers which support the Group's long term financial stability

\*Business units have been abbreviated as follows. Terrestrial Broadcast ('TB'), Digital Platforms ('DP'), Satellite and Media ('S'), Telecoms ('T') and Smart Metering M2M ('SM')

Risk type	Business Units*	Description of risk / uncertainty	Recent developments	Management of risk / uncertainty
Reputational	All	<p>Bad publicity damages Arqiva's reputation as a result of</p> <ul style="list-style-type: none"> <li>• A major event or incident impacting our services</li> <li>• Untimely delivery on major projects</li> <li>• Repeated unexpected service outages</li> <li>• Security breach on networks</li> </ul>	<p>Arqiva has continued to achieve its target result for 'network availability' (see key performance indicators on page 24)</p> <p>The Group has achieved and maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment</p>	<p>The Group carefully engages with its customers to ensure that project milestones are carefully managed and management regularly review the progress status of all projects</p> <p>Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed</p> <p>The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed</p>
Demand	T	Consolidation of market players due to mergers and acquisitions which could lead to changes in the timing of contract renewal discussions	The MNO market is highly competitive prompting recent merger and acquisition activity with BT Group announcing in February 2015 an agreement to acquire EE and Hutchinson Group announcing a deal to acquire O2 in the UK to combine with its Three Mobile Group. In both cases, regulatory decisions are awaited	<p>The Group has secured long term contracts with all of the major UK MNOs, including EE, Telefonica O2 and Vodafone</p> <p>The Group's sites are predominantly located in rural and suburban areas. Their location, exclusivity, and restrictive planning regulations create significant barriers to switching</p> <p>The Group seeks to protect itself by negotiating long term contracts where it makes itself the focal point for consolidation, and facilitates the MNOs consolidation in return for long term revenue certainty</p>
	T	The level of demand for wireless communications and impact on demand for access to the Group's towers	Recent research predicts that by 2019, WiFi networks will carry more than 50% of smartphone and tablet data traffic. Arqiva has a strong presence in this market and has adopted a wholesale WiFi strategy, successfully signing up a major MVNO in 2014	Significant amounts of capital expenditure have been invested in developing the wireless communications infrastructure in the UK. The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity and antenna deployments, will need to increase to cope with this demand. The Group continues to closely monitor the development of wireless technology and network deployment activities by MNOs

Risk type	Business Units*	Description of risk / uncertainty	Recent developments	Management of risk / uncertainty
Supply chain	SM	Under-performance of sub-contractors could lead to an inability to meet timeline and quality requirements and cause programme slippage	Arqiva has continued to meet its network deployment milestones during FY15 (see key performance indicators on page 24)	Our contracts are worded such that the Group's risk is mitigated through contractual reimbursements. Our contracts are structured into milestones such that we are accountable to our stakeholders for our contractual obligations and our performance is managed accordingly.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering	During FY15, Arqiva maintained its compliance with OHSAS18001 regarding safety management.	Training and rescue skills courses are required on an annual basis. Rescue kits are provided.  Arqiva maintains and regularly reviews its policy on workplace safety.
Technological	TB, DP, S	Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group's DTT transmission business	Leveraging off the development of our Connected Solutions offering to win the contract to provide engineering expertise supporting the rollout of Freeview Play	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition the Group has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its development in Connect TV – a hybrid Internet Protocol Television ('IPTV')/DTT offering.
Operational	All	Major infrastructure network or satellite failure causing multiple platform failures or service outages		There is a dedicated Business Continuity Working Group which meets on a regular basis to review plans and procedures in place and the provision of disaster recovery services.  The Group's business continuity plans are tested to ensure that they are robust and fit for purpose and that there is the right skills mix and knowledge within the Group.
	All	Networks, systems and sites are subject to security threats leading to a loss or corruption of data		The Group maintains an ISO27001 certification regarding information security which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment.
Political	TB, DP	International decisions regarding the future use of the 600 / 700MHz spectrum for DTT  The World Radio-communications Conference 2012 ('WRC-12') signalled that countries may clear the 700 MHz band of DTT in preparation for future use by Mobile Broadband. This would result in the 600MHz spectrum cleared during DSO having to be used for existing terrestrial TV.	In the UK Budget announcement in March 2015 the Government stated that it will allocate up to £600m to deliver the 700 MHz spectrum clearance programme. Discussions are progressing around the grants allocation process to enable the main programme to commence.	The Group continues to engage with Ofcom and the broadcasters to ensure that Arqiva and the television industry's needs are fully considered and sufficient spectrum is available for DTT. In addition, the Group are actively engaged in the feasibility study for 700MHz clearance.
Financial	Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 36			

## Directors' report

The Directors of Arqiva Broadcast Holdings Limited ('ABHL'), registered company number 05254001, ('the Company') and its subsidiaries ('the Group') submit the annual report and audited consolidated financial statements ('financial statements') in respect of the year ended 30 June 2015

The Company is a holding company with an investment in a group of operating companies, financing companies and other holding companies

### Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 33). As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk

The key financial risks affecting the Group are set out below together with a summary of how the risks are managed

Type	Description of risk/uncertainty	Management of risk
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt	The Group uses interest rate and inflation swaps to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. It currently has fixed rate hedging, split between interest rate swaps and inflation swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's liabilities are provided in note 17.
Financing risk	<p>The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms.</p> <p>Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.</p>	<p>The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining an active dialogue with lenders and investors, maintaining debt with a variety of medium and long term maturities so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date.</p> <p>With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.</p>
Credit risk	<p>The Group is exposed to credit risk on customer receivables.</p> <p>The Group is exposed to counterparty risks in its Treasury operations.</p>	<p>This is managed through appropriate credit checking procedures prior to taking on new customers, and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectable debts.</p> <p>Details of the debt maturity profile are provided in note 17. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.</p>
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2015 the Group had £100m available working capital facilities and £70m cash available to cover short term cash flow timing differences if required, together with a £400m capital expenditure facility, of which £120m had been drawn in the year. In addition, the Group has £200m of liquidity facilities available to cover senior interest payments if required.

Type	Description of risk/uncertainty	Management of risk
Price risk	Energy is a major component of the Group's cost base and is subject to price volatility	A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements up to 12 months in advance. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited.	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, and cross currency swaps were utilised to fix the exchange rate in relation to US Dollar denominated Senior bonds. Details of the cross currency swaps are provided in note 17.

## Audit Committee

The Group's Audit Committee is chaired by Damian Walsh (and includes representation from the shareholder board) and monitors the integrity of the Group's financial statements and the effectiveness of the external audit process. It has the responsibility for ensuring that an appropriate relationship exists between the Group and the external auditor, including a review of non-audit services and fees.

In addition, it has responsibilities of oversight of risk management procedures, monitoring compliance and regulatory issues (including whistle blowing arrangements), and reviewing the effectiveness of the Group's internal controls and internal audit function. The internal audit function agrees its annual audit plan with the Audit Committee and regularly reports its findings and recommendations to it.

The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties, and to obtain any external legal or other professional counsel it requires.

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditors, the Chief Executive Officer, the Chief Financial Officer and representatives from the Management Board and internal audit.

### Internal audit

The Audit Committee is responsible for reviewing the work undertaken by the Group's internal audit function, assessing the adequacy of the function's resource and the scope of its procedures. The Group's internal audit plan incorporates an annual rolling review of business activities, and incorporates both financial and non-financial controls and procedures.

The Committee considers the Group's current internal audit function to be operating effectively.

### External audit

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the Group's external auditor. The Committee makes an assessment of the auditor's independence and objectivity taking into account the relationship with the auditor as a whole, including the provision of any non-audit services.

The Group benefits from regular dialogue with its auditor regarding the accounting treatment of any complex or significant new contracts contemplated throughout each financial year, with the focus in the current year having been on the envisaged accounting approach for the 700MHz clearance programme. The Group proactively engages with its auditor in order to ensure it is well prepared for future changes to accounting standards and other applicable developments which may impact Arqiva. At present the Group is discussing matters including:

- the expected conversion to International Financial Reporting Standards ('IFRS'), the changes under which would apply to the Group from the 30 June 2016 year end,
- the recently published IFRS 15 'Revenue from Customer Contracts' Standard, and the implications of this new Standard on both new and existing Arqiva contracts, coming into effect for the year ended 30 June 2019,
- the expected project programme and accounting for the future 700MHz clearance project, and
- the joint IASB and FASB exposure draft on leases which continues to be evolving.

The auditor provides certain non-audit services, principally in relation to transaction support services, non-audit assurance and tax compliance. The Audit Committee ensures that appropriate safeguards of audit independence are



established and applied. In line with the auditor independence requirements the principal auditor was rotated for the expression of the 2015 audit opinion.

### **Equal opportunities policy**

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. Further information on how Arqiva supports its employees can be found on page 27 of the Strategic report.

### **Creditor payment policy**

The Group seeks to treat all of its suppliers fairly and it is the Group'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.

Arqiva's key costs are payroll, satellite capacity, rent, rates and power. Hence the majority of the Group's cost base is driven by competitive markets. Arqiva engages multiple large national suppliers for key services such as utilities and construction agreements required for new contracts. This ensures not just a viable on-going cost base but reduces business risk by limiting dependency on individual suppliers.

### **Charitable and political donations**

Details of charitable donations can be found on page 28. No political donations were made during the year (2014: none).

### **Research and development**

The Group performs research and development into new products and technology, the costs of which are capitalised in accordance with the Group's accounting policy where they meet the criteria for capitalisation under UK GAAP. The research costs expensed in the year were £1.4m (2014: £2.3m). In addition, the Group carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £3.6m (2014: £3.6m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within tangible fixed assets. The Group's capital expenditure in the year was £180.8m (2014: £183.8m) and includes capitalised labour of £55.9m (2014: £43.3m). Other development costs would be capitalised within intangible fixed assets. In the year, development costs capitalised total £0.8m (2014: £0.8m), with amortisation of £0.3m (2014: £nil) charged against such capitalised development costs.

### **Overseas branches**

The Group has trading branches based in the Republic of Ireland, Isle of Man and Jersey.

### **Post balance sheet events**

There have been no events since the balance sheet date which would have a material impact on the Group and require disclosure within the financial statements under UK GAAP.

### **Dividends and transfers to reserves**

The Company has declared no dividends in the year (2014: none declared). Group companies Now Digital (East Midlands) Limited and South West Digital Radio Limited have declared external dividends of £0.2m and £0.1m respectively (2014: none declared). The consolidated loss for the year of £566.2m (2014: £503.7m) was transferred to reserves.

### **Going concern**

The strategic report includes information on the structure of the business, our business environment, financial review for the year and details of the principal risks and uncertainties facing the Group. Notes 15 and 17 of the consolidated financial statements include information on the group's cash, borrowings and derivatives, and financial risk management information presented within this report. The directors are satisfied that with these forecasts alongside the Group's current funding and facilities the Group has adequate resources to continue for the foreseeable future. The directors therefore remain confident that the Group will have adequate resource to continue in operational existence for the foreseeable future and continue to adopt a going concern basis in preparing the consolidated financial statements.

The directors continue to be confident that the Group will have adequate resource to continue in operational existence for the foreseeable future, and therefore the Company and the Group adopts the going concern basis in preparing its financial statements.

## **Future developments**

The Group plans to continue to invest in its business units in accordance with its strategy. Further detail is contained within the Strategic report on page 5.

The Company will continue to remain a holding company.

## **Ownership and Directors**

A description of the ownership of the Group and the directors holding office during the year and up to the date of signing of the financial statements can be found on page 30.

During the year, Peter Shore resigned as Chairman following 8 years in the role. At 30 June 2015, Mike Parton was the Group's independent Chairman. Michael Giles is the Company Secretary. For details on the background of the Directors' and the Management Board please refer to the company website [www.arqiva.com](http://www.arqiva.com).

### **Directors' indemnities**

The Company has 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. The indemnity was in force during the full financial year and up to the date of approval of the financial statements.

### **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.

On behalf of the Board



Mike Parton - Director  
Crawley Court  
Winchester  
Hampshire  
SO21 2QA

11 September 2015

## Statement of Directors' responsibilities

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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 Group and parent company 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 Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## Financial statements

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# **Independent Auditor's report to the Members of Arqiva Broadcast Holdings Limited**

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## **Report on the financial statements**

### **Our opinion**

In our opinion, Arqiva Broadcast Holdings Limited's group financial statements and company financial statements (the "financial statements")

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2015 and of the group's loss and cash flows 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

### **What we have audited**

The financial statements comprise

- the Consolidated balance sheet and the Company balance sheet as at 30 June 2015,
- the Consolidated profit and loss account and the statement of group total recognised gains and losses for the year then ended,
- the Consolidated cash flow statement for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## **Other matters on which we are required to report by exception**

### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement, 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) ("ISAs (UK & 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.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group's and 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Graham Lambert (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton

14 September 2015

## Consolidated profit and loss account

		Year ended 30 June 2015			Year ended 30 June 2014		
	Note	Pre exceptional items £m	Exceptional items £m	Total £m	Pre exceptional items £m	Exceptional items £m	Total £m
<b>Continuing operations</b>							
Turnover (including share of joint venture)		869 1	-	869 1	839 5	-	839 5
Less share of joint venture turnover		(12 0)	-	(12 0)	(13 9)	-	(13 9)
Group turnover	2	857 1	-	857 1	825 6	-	825 6
Cost of sales		(328 3)	-	(328 3)	(301 4)	-	(301 4)
Gross profit		528 8	-	528 8	524 2	-	524 2
Depreciation		(119 7)	-	(119 7)	(122 6)	-	(122 6)
Amortisation		(158 9)	-	(158 9)	(157 7)	-	(157 7)
Impairment		-	(33 7)	(33 7)	-	-	-
Other administrative expenses		(110 6)	(11 7)	(122 3)	(117 8)	(8 2)	(126 0)
Total Administrative expenses		(389 2)	(45 4)	(434 6)	(398 1)	(8 2)	(406 3)
Group operating profit	3,4	139 6	(45 4)	94 2	126 1	(8 2)	117 9
Share of operating profit in joint venture and associates		3 6	-	3 6	2 7	-	2 7
Total operating profit: Group and share of joint venture and associates		143 2	(45 4)	97 8	128 8	(8 2)	120 6
Income from investments		0 2	-	0 2	0 4	-	0 4
Profit on ordinary activities before taxation and interest		143 4	(45 4)	98 0	129 2	(8 2)	121 0
Interest receivable and similar income	7	2 5	1 0	3 5	2 3	-	2 3
Interest payable and similar charges	4 8	(508 3)	(100 5)	(608 8)	(531 1)	(112 3)	(643 4)
Share of joint venture interest payable		(1 2)	-	(1 2)	(1 5)	-	(1 5)
Loss on ordinary activities before taxation		(363 6)	(144 9)	(508 5)	(401 1)	(120 5)	(521 6)
Tax on loss on ordinary activities	9			(57 6)			18 2
Loss on ordinary activities after taxation				(566 1)			(503 4)
Equity minority interests				(0 1)			(0 3)
Loss for the financial year	21			(566 2)			(503 7)

There are no material differences between losses on ordinary activities for the year above and the comparative year and their historical cost equivalents

## Consolidated balance sheet

	Note	30 June 2015 £'m	30 June 2014 £'m
<b>Fixed assets</b>			
Intangible assets	11	1,687 6	1,866 8
Tangible assets	12	1,767 1	1,710 3
Investments	13		
<i>Investments in joint venture</i>			
- Share of gross assets		20 1	22 1
- Share of gross liabilities		(15 6)	(19 8)
- Goodwill on acquisition		-	8 2
<i>Investments in associated undertakings</i>		0 1	0 1
		<u>4 6</u>	<u>10 6</u>
		<b>3,459 3</b>	<b>3,567 7</b>
<b>Current assets</b>			
Debtors	14	237 4	269 6
Cash at bank and in hand	15	98 5	97 4
<b>Total current assets</b>		<u>335 9</u>	<u>367 0</u>
Creditors: amounts falling due within one year	16	(1,143 6)	(970 7)
<b>Net current liabilities</b>		<u>(807 7)</u>	<u>(603 7)</u>
<b>Total assets less current liabilities</b>		<u>2,651 6</u>	<u>2,964 0</u>
Creditors: amounts falling due after more than one year	17	(4,526 7)	(4,297 6)
Provisions for liabilities	18	(55 4)	(47 9)
<b>Net liabilities excluding pension surplus</b>		<u>(1,930 5)</u>	<u>(1,361 6)</u>
Pension surplus	27	-	3 8
<b>Net liabilities including pension surplus</b>		<u>(1,930 5)</u>	<u>(1,357 7)</u>
<b>Capital and reserves</b>			
Called up share capital	19	653 9	653 9
Share premium account	20	315 6	315 6
Profit and loss account	21	(2,900 3)	(2,327 8)
<b>Total shareholders' deficit</b>	22	<u>(1,930 8)</u>	<u>(1,358 4)</u>
Minority interest		0 3	0 7
<b>Capital employed</b>		<u>(1,930 5)</u>	<u>(1,357 7)</u>

The accounting policies and notes on pages 49 to 81 form part of these financial statements

These financial statements on pages 44 to 81 were approved by the Board of Directors on 11 September 2015 and were signed on its behalf by



Mike Parton – Director



## Statement of group total recognised gains and losses

	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m
(Loss) / profit for the financial year		
- Group	(568 6)	(504 9)
- Joint Ventures	2 4	1 2
<b>Loss for the financial year</b>	<b>(566 2)</b>	<b>(503 7)</b>
Actuarial loss on pension scheme	(6 9)	(5 3)
Movement on deferred tax relating to pension scheme	1 4	1 1
Exchange adjustment offset in reserves (translation of foreign investments)	(0 7)	0 2
<b>Total recognised losses for the year</b>	<b>(572 4)</b>	<b>(507 7)</b>
 Total recognised (losses) / profit for the financial year		
- Group	(574 8)	(508 9)
- Joint Ventures	2 4	1 2
<b>Total recognised losses for the year</b>	<b>(572 4)</b>	<b>(507 7)</b>

## Consolidated cash flow statement

	Note	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
<b>Net cash inflow from operating activities</b>	23	<b>380.1</b>	<b>342.1</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		0.7	0.9
Interest paid		(209.9)	(228.7)
Interest element of finance lease rentals		(1.1)	(1.1)
Debt issue costs and facility arrangement fees		(3.3)	(7.7)
Dividends from investments		0.2	0.4
Dividends paid to minority interests	10	(0.3)	-
		<b>(213.7)</b>	<b>(238.2)</b>
<b>Tax paid</b>		<b>(0.5)</b>	<b>(0.4)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(194.8)	(152.8)
Purchase of intangible fixed assets		(0.6)	(1.2)
Sale of tangible fixed assets		0.5	8.1
		<b>(194.9)</b>	<b>(145.9)</b>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings (including payment of deferred consideration)		-	(3.9)
Cash acquired with subsidiary undertakings		-	0.1
		<b>-</b>	<b>(3.8)</b>
<b>Financing</b>			
Finance lease capital		(0.2)	(0.5)
Loans to associates and joint ventures		(0.2)	(0.2)
Repayment of external borrowings		(374.9)	(532.5)
Raising of external borrowings		420.0	534.5
Repayment of premium on swap issuance*		(15.6)	(1.7)
Premium on swap issuance		100.5	105.3
Cash outflow on close out of swaps		(100.5)	(112.3)
Proceeds on disposal of swap options		1.0	-
		<b>30.1</b>	<b>(7.4)</b>
<b>Increase / (decrease) in cash</b>	24	<b>1.1</b>	<b>(51.6)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net debt at 1 July		(4,190.5)	(3,964.0)
Increase / (decrease) in net cash		1.1	(51.6)
Movement in borrowings		(26.8)	7.4
Other cash changes		-	7.7
Other non-cash changes		(137.2)	(190.0)
<b>Net debt at 30 June</b>	24	<b>(4,353.4)</b>	<b>(4,190.5)</b>

\*To provide additional clarity to the reader the repayment of premium on swap issuance has been presented as a separate line item in these financial statements having previously been included within repayment of external borrowings

## Company balance sheet

	Note	30 June 2015 £'m	30 June 2014 £'m
<b>Fixed assets</b>			
Investments	13	1,767 0	1,767 0
<b>Current assets</b>			
Debtors (including £1 8m due after more than one year (2014 £1 8m))	14	1 9	1 8
Cash at bank and in hand	15	0 1	0 1
<b>Total current assets</b>		<b>2 0</b>	<b>1 9</b>
Creditors amounts falling due within one year	16	(1 0)	(0 1)
<b>Net current assets</b>		<b>1 0</b>	<b>1 8</b>
<b>Total assets less current liabilities</b>		<b>1,768 0</b>	<b>1,768 8</b>
<b>Capital and reserves</b>			
Called up share capital	19	653 9	653 9
Share premium account	20	315 6	315 6
Profit and loss account	21	798 5	799 3
<b>Total shareholders' funds</b>	22	<b>1,768 0</b>	<b>1,768 8</b>

The accounting policies and notes on pages 49 to 81 form part of these financial statements

These financial statements were approved by the Board of Directors on 11 September 2015 and were signed on its behalf by



Mike Parton - Director

# Notes to the financial statements

## 1 Principal accounting policies

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

### (a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention. The Company is exempt under s408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a loss for the year of £0.8m (2014: £nil loss) prior to dividends paid of £nil (2014: £nil).

### (b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company, as at 30 June 2015, and the results of all controlled entities for the year then ended.

Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes. Those disposed of are accounted for up until the date of disposal. Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Associates are accounted for using the equity method of accounting in accordance with FRS 9 'Associates and joint ventures'. Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

### (c) Going concern

The Group adopts the going concern basis in preparing its consolidated financial statements based on future profit, cash flows and available facilities, which lead the Directors of the Company to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future. During the year, the Group had a net cash inflow from operating activities of £380.1m (2014: £342.1m).

The Company is in a net asset position and has net current assets.

### (d) 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), being fair value for tangible fixed assets acquired on acquisition, 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 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 Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	20 – 80 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.

## 1 Principal accounting policies (continued)

### (e) Turnover

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

### (f) Intangible fixed assets and amortisation

Intangible fixed assets are stated at original purchase cost, being fair value for intangible fixed assets acquired on acquisition, less accumulated amortisation and any provision for impairment. The useful economic 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.

#### Research and 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 (typically to provide radio and WiFi services) and 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. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

#### Access rights

Access rights include customer contracts and customer relationships and are stated at original purchase cost, being fair value for acquired subsidiaries, and amortised on a straight line basis over their expected useful life.

### (g) 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'.

### (h) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate. Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or contracted rate if applicable and any exchange difference arising are taken to the profit and loss account. Transactions in the profit and loss account of overseas operations are translated using an average exchange rate. Exchange differences on translation of overseas branches are recognised through the 'Statement of group total recognised gains and losses'.

### (i) 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 Group, are capitalised in the balance sheet and depreciated over their useful economic lives or the lease term, if shorter.

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.

## 1 Principal accounting policies (continued)

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is taken to turnover at the inception of the lease. Debtors under finance leases represent outstanding amounts due under these agreements, less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

### (j) 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.

### (k) Provisions

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.

### (l) Borrowings

Borrowings are stated at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are amortised over the term of the borrowing to achieve a constant rate on the carrying amount. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan, unless capitalised as noted in policy (d).

### (m) 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 year. Differences between contributions payable for the year 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 Group, 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 a high quality corporate bond 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 and net of deferred tax.

### (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 on deposits and payable on borrowings and finance leases.

## 1 Principal accounting policies (continued)

### (p) Derivative financial instruments

The Group uses interest rate and inflation swaps to reduce its exposure to fluctuations in variable interest rates on its debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised. Amounts received and paid under interest rate and inflation swaps are shown net under financing costs, where they are part of the same legal agreement and settled net in practice. The Group utilises forward foreign exchange contracts to hedge the value of its foreign currency transactions. In addition, the Group utilises cross currency swaps to hedge the principal and interest payments due under foreign currency debt instruments against variations in foreign exchange and interest rates. 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.

Upon its refinancing in February 2013 the Group terminated certain interest rate swap arrangements. The economic substance of these transactions reflected the overall hedging strategy of the Group from the original debt raising and the subsequent refinancing. As such the termination costs have been deferred and netted against the financing liability and are to be amortised to finance costs in the profit and loss account over the term of the new fixed rate debt and are classified as derivative close out costs.

### (q) Government grants

Government grants relating to tangible fixed assets are treated as deferred income and release to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

### (r) Share issue costs

In accordance with the provision contained in FRS 4 'Capital instruments', all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction in the proceeds of the relevant capital instruments.

## 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, 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 reflecting a significant financing component it 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.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed as a proportion of the total contract value.

The geographical split of turnover by destination is shown below.

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
UK	769.5	727.4
Continental Europe (including Republic of Ireland)	44.5	52.6
Rest of World	43.1	45.6
Group turnover	857.1	825.6

## 2 Turnover and segmental reporting (continued)

The geographical split of turnover by origin is shown below

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
UK	836.5	801.7
Continental Europe (including Republic of Ireland)	11.5	15.2
Rest of World	9.1	8.7
<b>Group turnover</b>	<b>857.1</b>	<b>825.6</b>

### Segmental reporting

For the year ended 30 June 2015 the Group organised its business into five customer facing business units, supported by a Technology division and central corporate functions. This structure is used to provide the following segmental reporting in relation to Group turnover. This is stated net of intra-divisional trading.

	Terrestrial Broadcast £ m	Satellite and Media £ m	Digital Platforms £ m	Telecoms £'m	Smart Metering M2M £ m	Total £'m
Turnover for the year ended						
30 June 2015	251.9	151.2	156.0	279.9	18.1	857.1
30 June 2014	258.1	163.9	139.0	251.8	12.8	825.6

The majority of assets employed and underlying costs are derived from a shared infrastructure network common to all operating business units. An allocation of such assets to the business units is not performed as part of the normal reporting process within the business. In the absence of a suitable allocation methodology and given the size of the shared assets, the Directors are of the opinion that additional segmental reporting would not provide any meaningful information to the users of the financial statements.

Whilst management review directly attributable costs by each revenue generating business unit, the Directors are of the opinion that further disclosure would be seriously prejudicial to the Group.

Effective from 1 July 2015 the Group organised its business into four customer facing business units following the transfer from Digital Platforms of DTT activities into Terrestrial Broadcast and hybrid TV services moving into Satellite and Media. Additionally the technology division was predominantly integrated into the other remaining customer facing business units. Subsequent to the year end, the Group announced the merger of Smart Metering M2M with Telecoms to provide a single business unit known as Telecoms and M2M. This is effective from 1 October 2015 (see page 14 for further details).



### 3 Operating profit

Operating profit is stated after charging / (crediting)

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Depreciation of owned fixed assets	119.3	122.1
Depreciation of assets held under finance lease	0.4	0.5
Impairment of owned fixed assets	3.5	-
Amortisation of goodwill in respect of subsidiaries	156.7	155.1
Impairment of goodwill in respect of subsidiaries	22.3	-
Amortisation of intangible assets	1.7	2.1
Amortisation of investments in joint ventures	0.5	0.5
Impairment of investments in joint ventures	7.9	-
Operating lease rentals		
- Land, buildings and other infrastructure	47.9	43.6
- Plant and machinery	2.0	1.8
Loss on disposal of tangible fixed assets	0.3	2.4
Foreign exchange losses / (gains)	0.3	(0.5)
Research and development expenditure	1.4	2.3
Grant income	(0.7)	(1.2)

#### Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.3	0.3
Non-audit services		
Other assurance services	0.2	0.4
Services relating to taxation	0.1	0.1
Services relating to corporate finance (including refinancing)	-	0.2
All other services	0.1	-
Total cost of services provided by the Group's Auditors	0.8	1.1

## 4 Exceptional items

The Group recognises exceptional items in accordance with FRS 3 'Reporting Financial Performance' including where material, items that require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view

Loss on ordinary activities before taxation is stated after charging

	Group Year ended 30 June 2015	Group Year ended 30 June 2014	Company Year ended 30 June 2015	Company Year ended 30 June 2014
	£'m	£'m	£'m	£'m
<b>Administrative expenses</b>				
- Reorganisation and severance	(11.7)	(6.2)	(0.8)	-
- Corporate finance activities (including refinancing)	-	(0.1)	-	-
- Other one off activities	-	(1.9)	-	-
- Impairment	(33.7)	-	-	-
	(45.4)	(8.2)	(0.8)	-
<b>Financing income</b>				
- Gain on disposal of swap options	1.0	-	-	-
<b>Financing expenses</b>				
- Close out of swaps	(100.5)	(112.3)	-	-
<b>Total exceptional items</b>	<b>(144.9)</b>	<b>(120.5)</b>	<b>(0.8)</b>	<b>-</b>

Reorganisation and severance expenses include costs relating to the recent review of the Group's operating model. In the prior year these relate to other business change projects.

Impairment during the year relates to the write down of the carrying value of non-core business areas and investments.

Financing income comprises £1.0m proceeds (2014: £nil) realised as a result of the disposal of £432.5m of the notional principal amount of the swap option (see note 17).

Financing expenses comprise a £100.5m cash outflow (2014: £112.3m) in relation to the breaking of interest rate swap agreements (see note 17). These termination payments were fully funded by a £100.5m premium (2014: partially funded by a £105.3m premium with the remainder settled by a £7.0m cash payment) received for entering into the replacement interest rate swaps.

With the exception of impairment (2015: £33.7m, 2014: £nil) the expense amounts included within exceptional items above are deductible for the purpose of taxation.

## 5 Staff costs

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

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	Number	Number
Terrestrial Broadcast	551	550
Satellite and Media	377	361
Digital Platforms	47	37
Telecoms	421	365
Smart Metering	73	39
Technology and Corporate functions	691	650
<b>Total staff numbers</b>	<b>2,160</b>	<b>2,002</b>

This reflects the business unit structure during the year ended 30 June 2015

The aggregate payroll costs of these persons were as follows

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
Wages and salaries	133.0	123.9
Social security costs	14.3	13.3
Other pension costs	11.2	10.1
<b>Total staff costs</b>	<b>158.5</b>	<b>147.3</b>

### Company

The Company had no employees during the year (2014: none)

## 6 Directors' emoluments

During the year one Director (2014 one) was an employee of Arqiva Limited (a subsidiary company), but was not a member of any group pension scheme

One of the Directors (2014 one) was a representative of the Company's shareholders and his individual remuneration reflects the services he provides to the Company, its subsidiaries and certain other entities outside of the Group. It is possible to make an accurate apportionment of this Director's emoluments in respect of their service to the Group. Accordingly, this is taken into account in providing the following disclosure

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Aggregate emoluments	0.3	0.3
Compensation for loss of office	0.1	-
Total emoluments	0.4	0.3

All other Directors were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries 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 and the Group except where sums are paid to third parties in respect of their services. Accordingly, the details set out in the table above include no emoluments in respect of these Directors other than in relation to sums paid to third parties in respect of services.

### Highest paid director

Included in the above are emoluments in respect of the highest paid Director of

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Aggregate emoluments	0.2	0.3
Compensation for loss of office	0.1	-
Total emoluments	0.3	0.3

## 7 Interest receivable and similar income

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Bank interest	0.4	0.4
Finance lease interest receivable	0.3	0.2
Other interest	1.8	1.7
<b>Total interest receivable</b>	<b>2.5</b>	<b>2.3</b>
Exceptional financing income (see note 4)	1.0	-
<b>Total interest receivable including exceptional items</b>	<b>3.5</b>	<b>2.3</b>

## 8 Interest payable and similar charges

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Bank loan interest	93.3	144.5
Other loan interest	124.4	111.2
Less: Capitalised interest	(1.7)	-
<b>Net bank and other loan interest</b>	<b>216.0</b>	<b>255.7</b>
Amortisation of debt issue costs	16.1	29.9
Release of deferred derivative close out costs	9.6	9.5
Finance lease interest	1.1	1.1
Shareholder loan note interest	244.8	215.2
Other interest	20.7	19.7
<b>Total interest payable</b>	<b>508.3</b>	<b>531.1</b>
Exceptional financing expenses (see note 4)	100.5	112.3
<b>Total interest payable including exceptional items</b>	<b>608.8</b>	<b>643.4</b>

Included within bank loan interest is the increase in the principal accretion on inflation-linked swaps of £15.0m (2014: £39.7m) (see note 17). Excluding this amount the net bank and other loan interest was £201.0m (2014: £216.0m). The shareholder loan notes carry fixed interest rates of between 13% and 14%, which can be deferred at the option of the Group.

## 9 Tax on loss on ordinary activities

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
<b>(a) Analysis of tax charge / (credit) for the year</b>		
<b>Current tax</b>		
UK corporation tax	0.1	0.2
Overseas tax	0.4	0.4
<b>Total current tax</b>	<b>0.5</b>	<b>0.6</b>
<b>Deferred tax</b>		
Origination of timing differences	-	(21.4)
Derecognition of deferred tax assets	56.8	-
Deferred tax on pension liability charged to profit and loss account	0.5	2.7
Impact of UK corporation tax rate change	-	4.6
Prior year adjustment	-	(4.7)
<b>Total deferred tax</b>	<b>57.1</b>	<b>(18.8)</b>
<b>Tax on loss on ordinary activities</b>	<b>57.6</b>	<b>(18.2)</b>
<b>(b) Factors affecting the current tax charge for the year</b>		
The tax charge assessed for the year is different (2014 different) to the standard rate of tax in the UK of 20.75% (2014 22.50%). The differences are explained below:		
Loss on ordinary activities before taxation	(508.5)	(521.6)
Loss before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20.75% (2014 22.50%)	(105.5)	(117.4)
Expenses not deductible for tax purposes	0.8	0.9
Amortisation and impairment of goodwill and investments	39.1	34.9
Depreciation in excess of capital allowances	21.0	22.6
Non qualifying depreciation	4.6	4.8
Loan note interest not deductible in the year	39.5	37.2
Associate / joint venture revenue / expense with no tax applicable	(0.8)	(0.7)
Generation of unrecognised tax losses	4.4	19.4
Utilisation of recognised tax losses	(1.2)	(1.4)
Other timing differences	(1.6)	-
Loss on disposal of fixed assets	-	0.3
<b>Total current tax</b>	<b>0.5</b>	<b>0.6</b>

In Finance Act 2013, the main rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. For the purpose of this current tax charge analysis a blended tax rate of 20.75% (2014 22.50%) has been used. UK deferred tax has been recognised at the reduced rate of 20% (2014 20%) as this is the rate at which deferred tax balances are forecast to unwind.

On 8 July 2015 it was announced that the main rate of UK corporation tax would be further reduced to 19% from 1 April 2017 and 18% from 1 April 2020. As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

## 10 Dividends

Dividends payable to minority interests	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
<b>Now Digital (East Midlands) Limited</b>		
Of £45.00 per share (2014: none declared)	0.2	-
<b>South West Digital Radio Limited</b>		
Of £15.00 per share (2014: none declared)	0.1	-
<b>Total dividends payable to minority interests</b>	<b>0.3</b>	<b>-</b>

The above amounts represent dividends paid to minority interest shareholders by Group companies

### Company

No dividends were paid to shareholders of the Company (2014: £nil)

## 11 Intangible assets

Group	Licences £'m	Development costs £'m	Access rights £'m	Goodwill £'m	Total £'m
<b>Cost</b>					
At 1 July 2014	6.8	1.8	23.1	3,068.8	3,100.5
Additions	0.7	0.8	-	-	1.5
<b>At 30 June 2015</b>	<b>7.5</b>	<b>2.6</b>	<b>23.1</b>	<b>3,068.8</b>	<b>3,102.0</b>
<b>Accumulated amortisation and impairment</b>					
At 1 July 2014	3.2	1.0	17.3	1,212.2	1,233.7
Charged in the year	0.6	0.3	0.8	156.7	158.4
Impairment	-	-	-	22.3	22.3
<b>At 30 June 2015</b>	<b>3.8</b>	<b>1.3</b>	<b>18.1</b>	<b>1,391.2</b>	<b>1,414.4</b>
<b>Net book value</b>					
At 30 June 2015	3.7	1.3	5.0	1,677.6	1,687.6
At 30 June 2014	3.6	0.8	5.8	1,856.6	1,866.8

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

Impairment during the year (2014: none) relates to the carrying value of non-core business areas and investments (see also note 4).

### Company

The Company has no intangible assets (2014: £nil)

## 12 Tangible assets

Group	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£'m	£'m	£'m	£'m	£'m
<b>Cost</b>					
At 1 July 2014	317.2	138.1	1,678.8	135.7	2,269.8
Additions	-	-	18.5	162.3	180.8
Completion of AUC	9.5	2.2	104.4	(116.1)	-
Disposals	(0.1)	(0.7)	(21.0)	-	(21.8)
At 30 June 2015	326.6	139.6	1,780.7	181.9	2,428.8
<b>Accumulated depreciation</b>					
At 1 July 2014	17.7	39.2	502.6	-	559.5
Charge for the year	4.8	4.4	110.5	-	119.7
Impairment	0.4	0.1	3.0	-	3.5
Disposals	(0.1)	(0.7)	(20.2)	-	(21.0)
At 30 June 2015	22.8	43.0	595.9	-	661.7
<b>Net book value</b>					
At 30 June 2015	303.8	96.6	1,184.8	181.9	1,767.1
At 30 June 2014	299.5	98.9	1,176.2	135.7	1,710.3

The Group's fixed and other assets have been pledged as security under the terms of the Group's external debt facilities (see note 26).

£1.7m (2014: £nil) of borrowing costs were capitalised during the year ended 30 June 2015 at a capitalisation rate of 3%. The aggregate amount of finance costs included in the cost of tangible fixed assets totals £22.2m (2014: £20.5m).

Freehold land included above but not depreciated amounts to £179.0m (2014: £179.0m).

Assets held under finance leases, capitalised and included within fixed assets are shown in the table below.

	Land and buildings
	£'m
<b>Cost</b>	
At 1 July 2014 and 30 June 2015*	11.2
<b>Accumulated depreciation</b>	
At 1 July 2014*	(4.1)
Charge for the year	(0.4)
At 30 June 2015	(4.5)
<b>Net book value</b>	
At 30 June 2015	6.7
At 30 June 2014	7.1

\* Opening balances have been restated for reclassifications between cost and accumulated depreciation.

### Company

The Company has no tangible fixed assets (2014: nil).



## 13 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Aerial UK Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Asia Limited	Hong Kong	Satellite transmission services	30-Jun	100%
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Broadcast Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No 3 Plc	United Kingdom	Holding company	30-Jun	99.99% (held directly)
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc	USA	Satellite transmission services	30-Jun	100%
Arqiva International Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No 4 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Pension Trust Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%

### 13 Investments (continued)

Company	Country of Incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Smart Financing Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Smart Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Smart Metering Limited	United Kingdom	Smart metering communications	30-Jun	100%
Arqiva Smart Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Swing Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva WiFi Limited	United Kingdom	WiFi services	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	52.50%
Now Digital (Oxford) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
NWP Street Limited	United Kingdom	WiFi services	30-Jun	100%
Pnnrose No 1 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

### 13 Investments (continued)

Company	Country of Incorporation	Principal activities	Year end	Percentage of ordinary shares held
<b>Joint ventures</b>				
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	31-Dec	40%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30-Jun	24 99%
YouView TV Limited	United Kingdom	Open source IPTV development	31-Mar	14 30%
<b>Associate undertakings</b>				
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31-Dec	25%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	30-Jun	25%
Digital UK Limited	United Kingdom	Transmission services	30-Jun	25%
DTV Services Limited	United Kingdom	Freeview market services	31-May	20%
MXR Holdings Limited	United Kingdom	Transmission services	30-Jun	12%

The following companies within the Group will adopt the Department for Business, Innovation and Skills audit exemption for the year ended 30 June 2015. As the ultimate parent company, ABHL will guarantee the various debts and liabilities held within these companies as required under section 479A of the Companies Act 2006.

Company	Company registration number
Arqiva Group Intermediate Limited	8126989
Arqiva Group Holdings Limited	8221064
Arqiva UK Broadcast Holdings Limited	5254048
Arqiva Telecoms Investment Limited	3696564
JFMG Limited	3297317
Arqiva Mobile TV Limited	4107732
Arqiva Public Safety Limited	3341257
Aerial UK Limited	2333949
Arqiva Scotland Limited	SC365509
Arqiva Aerial Sites Limited	1460772
ABHL Digital Limited	3538787
ABHL Digital Radio Limited	3573732
Digital One Limited	3537636
Now Digital Limited	3546921
Now Digital (Oxford) Limited	6314242
Now Digital (Southern) Limited	3654065
Connect TV Limited	07403839
Arqiva Financing No 2 Limited	06137899
Arqiva International Holdings Limited	08753024
Arqiva No 2 Limited	03922958
Arqiva No 3 Limited	02973983
Arqiva Smart Holdings Limited	08723422
Arqiva Smart Parent Limited	08723419
Arqiva WiFi Limited	04414701
Capablue Limited	06962172
NWP Spectrum Holdings Limited	04412123
NWP Street Limited	04413822
Selective Media Limited	06579687
Spectrum Interactive Limited	04440500

### 13 Investments (continued)

The following dormant companies within the Group will take the exemption from preparing and filing financial statements for the year ended 30 June 2015 (by virtue of s394A and s448A of Companies Act 2006 respectively) As the ultimate parent company, ABHL will guarantee the various debts and liabilities held within these companies as required under section 394C of the Companies Act 2006

Company	Company registration number
ABHL Multiplex Limited	05138188
Arqiva Broadcast Limited	03844675
Arqiva Communications Limited	02928653
Arqiva Digital Limited	03120642
Arqiva Finance Limited	03347387
Arqiva Media Limited	02826184
Arqiva Mobile Broadcast Limited	02816853
Arqiva Mobile Limited	03246721
Arqiva No 4 Limited	02903056
Arqiva No 10 Limited	05393073
Arqiva No 11 Limited	05393079
Arqiva Satellite Limited	02192952
Arqiva Swing Limited	07140424
Arqiva Telecommunications Asset Development Company Limited	03956595
Arqiva Transmission Limited	03598122
Arqiva Wireless Limited	03055844
Cast Communications Limited	05097626
Connect TV (Scotland) Limited	SC403631
Inmedia Communications (Holdings) Limited	02755211
Inmedia Communications Group Limited	05097612
Inmedia Communications Limited	05097623
Macropolitan Limited	05401565
Primrose No 1 Limited	07045887
Scanners (Europe) Limited	02833712
Scanners Television Outside Broadcasts Limited	03391685
Spectrum Interactive (UK) Limited	03500162

### 13 Investments (continued)

Group	Investments in associates and joint ventures £'m	Investment in financial instruments £'m	Total £'m
<b>Investments</b>			
At 1 July 2014	12.9	3.0	15.9
Share of retained profit	2.4	-	2.4
<b>At 30 June 2015</b>	<b>15.3</b>	<b>3.0</b>	<b>18.3</b>
<b>Accumulated amortisation and impairment</b>			
At 1 July 2014	2.3	3.0	5.3
Amortisation charged in the year	0.5	-	0.5
Impairment charged in the year	7.9	-	7.9
<b>At 30 June 2015</b>	<b>10.7</b>	<b>3.0</b>	<b>13.7</b>
<b>Net book value</b>			
At 30 June 2015	4.6	-	4.6
At 30 June 2014	10.6	-	10.6

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

Company	Investments in subsidiaries £'m	Investment in financial instruments £'m	Total £'m
<b>Cost</b>			
At 1 July 2014	1,767.0	3.0	1,770.0
Additions	-	-	-
<b>At 30 June 2015</b>	<b>1,767.0</b>	<b>3.0</b>	<b>1,770.0</b>
<b>Provision for impairment</b>			
At 1 July 2014 and 30 June 2015	-	(3.0)	(3.0)
<b>Net book value</b>			
At 30 June 2015	1,767.0	-	1,767.0
At 30 June 2014	1,767.0	-	1,767.0

## 14 Debtors

	Group 30 June 2015 £'m	Group 30 June 2014 £'m	Company 30 June 2015 £'m	Company 30 June 2014 £'m
Trade debtors	72.3	74.3	-	-
Amounts owed by Group undertakings	-	-	1.9	1.8
Amounts owed by joint ventures (note 28)	0.5	0.3	-	-
Other debtors	8.4	13.4	-	-
Prepayments and accrued income	156.2	125.0	-	-
Deferred tax asset	-	56.6	-	-
<b>Total debtors</b>	<b>237.4</b>	<b>269.6</b>	<b>1.9</b>	<b>1.8</b>

Included within prepayments is £7.6m (2014 £12.1m) relating to arrangement fees on undrawn facilities

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

Deferred tax asset	Group 30 June 2015 Asset £'m	Group 30 June 2014 Asset £'m
At 1 July	56.6	35.2
(Debited) / credited to the profit and loss account	(56.6)	21.4
<b>At 30 June</b>	<b>-</b>	<b>56.6</b>
Accelerated capital allowances	-	52.7
Short term timing differences	-	0.6
Tax losses	-	3.3
<b>Deferred tax asset</b>	<b>-</b>	<b>56.6</b>

Based on a review of long term forecasts of taxable profits, the deferred tax asset has been derecognised in the current year as it is not anticipated to be realised in the foreseeable future

The deferred tax asset has been calculated based on the UK corporation tax rate of 20% (the rate substantively enacted at the balance sheet date). Overall the Group has recognised a deferred tax asset of £nil (2014 £56.6m)

The deferred tax asset at 30 June 2014 was considered to be recoverable in more than one year

There is an unrecognised deferred tax asset of £120.5m (2014 £28.7m). This is in respect of tax losses (2015 £43.9m, 2014 £28.7m) and depreciation in excess of capital allowances (2015 £76.6m, 2014 £nil). These are not anticipated to be utilised in the foreseeable future. This value has been calculated based on the UK corporation tax rate of 20% (the rate substantively enacted at the balance sheet date). This unrecognised deferred tax asset is anticipated to be utilised when there is taxable income in the relevant Group entities to utilise the losses previously generated. The timing of future taxable profits which would exceed the level of allowable interest deductions and capital allowances is such that it is subject to estimation uncertainty and accordingly it is considered prudent to de-recognise the deferred tax asset that was recognised as at 30 June 2014 and not to recognise any further deferred tax assets for the year to 30 June 2015.

## 14 Debtors (continued)

### Finance leases

Included within 'other debtors' are the following amounts receivable under finance leases

	Group 30 June 2015 £'m	Group 30 June 2014 £'m
Net investment in finance leases and hire purchase contracts comprises		
Total amounts receivable	4.3	4.7
Leases terminated in the year	(0.3)	-
Less Interest allocated to future years	(1.3)	(1.7)
Lease interest removed due to terminated leases	(0.1)	-
<b>Total finance leases</b>	<b>2.6</b>	<b>3.0</b>

Rentals receivable during the year under finance leases and hire purchase contracts amount to £0.4m (2014: £0.4m)

### Company

Amounts owed by Group undertakings are unsecured. Interest has been charged on £1.9m at 0% (2014: £1.8m at 0%). Of the above balances, £1.8m is in respect of amounts due in greater than one year (2014: £1.8m)

## 15 Cash at bank and in hand

	Group 30 June 2015 £'m	Group 30 June 2014 £'m	Company 30 June 2015 £'m	Company 30 June 2014 £'m
Cash at bank	17.2	17.9	0.1	0.1
Short term deposits	52.8	51.0	-	-
<b>Cash at bank and in hand</b>	<b>70.0</b>	<b>68.9</b>	<b>0.1</b>	<b>0.1</b>
Restricted cash	28.5	28.5	-	-
<b>Total cash at bank and in hand</b>	<b>98.5</b>	<b>97.4</b>	<b>0.1</b>	<b>0.1</b>

The restricted cash balance relates to a reserve account required to cover one semi-annual interest payment on the £600.0m of junior bonds

## 16 Creditors: amounts falling due within one year

	Group 30 June 2015 £'m	Group 30 June 2014 £'m	Company 30 June 2015 £'m	Company 30 June 2014 £'m
Amounts owed to Group undertakings	-	-	0.2	-
Trade creditors	44.4	77.5	-	-
Other taxes and social security costs	25.4	15.6	-	-
Other creditors	6.4	11.3	-	-
Premium on swap issuance	16.6	9.1	-	-
Accrued interest on shareholder loan notes	757.9	513.0	-	-
Accruals and deferred income	292.5	284.0	0.6	0.1
Principal accretion on inflation-linked swaps	-	59.9	-	-
Finance lease obligations	0.4	0.3	-	-
<b>Total creditors amounts falling due within one year</b>	<b>1,143.6</b>	<b>970.7</b>	<b>1.0</b>	<b>0.1</b>

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

Amounts owed to Group undertakings are unsecured. Interest has been charged on £0.2m at 0% for Company balances.

The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% which can be deferred at the option of the Group, applicable to the capital and un-paid interest. The Group has exercised this option to defer interest payments since June 2009.

Principal accretion on inflation-linked swaps was settled in 30 June 2015 and therefore represented an amount due within one year as at 30 June 2014. Subsequent principal accretion will be payable on 30 June 2018 and will therefore be shown with amounts falling due after more than one year until 30 June 2017.

Accruals and deferred income principally comprise amounts outstanding for ongoing costs and amounts received from customers in advance respectively.



## 17 Creditors: amounts falling due after more than one year

	Group 30 June 2015 £'m	Group 30 June 2014 £'m
<b>Bank loans</b>		
Senior debt	723.5	1,023.5
Other facilities	0.7	0.5
Capital expenditure facility	120.0	-
Premium on swap issuance	172.0	94.5
Less: issue costs	(7.8)	(14.2)
	<u>1,008.4</u>	<u>1,104.3</u>
<b>Other loans</b>		
Senior bonds	1,612.5	1,312.5
Junior bonds	600.0	600.0
Less: issue costs	(25.3)	(28.5)
Deferred derivative close out costs	(75.9)	(85.5)
	<u>2,111.3</u>	<u>1,798.5</u>
Shareholder loan notes	1,273.8	1,273.8
Other creditors	0.1	0.2
Accruals and deferred income	119.7	107.1
Finance lease obligations	13.4	13.7
<b>Total creditors: amounts falling due after more than one year</b>	<u><b>4,526.7</b></u>	<u><b>4,297.6</b></u>

Accruals and deferred income principally comprise amounts outstanding for ongoing costs and amounts received from customers in advance respectively

### Maturity of loans

The total loans analysed below represent total creditors: amounts falling due after more than one year excluding issue costs, deferred derivative close out costs, accruals and deferred income, and other creditors, and also includes the following represented within creditors: amounts falling due within one year, finance lease obligations and premium on swap issuance

	Group 30 June 2015 £'m	Group 30 June 2014 £'m
Within one year	17.0	69.3
In more than one year, but not more than five years	1,606.8	737.2
In more than five years	2,909.0	3,581.3
<b>Total loans</b>	<u><b>4,532.8</b></u>	<u><b>4,387.8</b></u>

### Finance leases

Future minimum payments under finance leases are as follows

	Group 30 June 2015 £'m	Group 30 June 2014 £'m
Within one year	1.4	1.3
In more than one year, but not more than five years	5.7	5.6
After five years	16.4	17.9
<b>Total gross payments</b>	<u><b>23.5</b></u>	<u><b>24.8</b></u>
Less: finance charges included above	(9.7)	(10.8)
<b>Total finance leases</b>	<u><b>13.8</b></u>	<u><b>14.0</b></u>

## 17 Creditors: amounts falling due after more than one year (continued)

### Bank loans and other loans

Senior debt includes 5-year term bank debt of £353.5m, due in 2018, borrowed by ASF under a Senior Facility Agreement (£653.5m at 30 June 2014). The loan has a floating interest rate which ranges between LIBOR + 2.5% to LIBOR + 4.00% by the end of the agreement. AF1 has further undrawn facilities of £580.0m available.

In January 2014, the Group completed a £180.0m term loan from institutional investors, the proceeds of which were used to make a £180.0m part repayment of the original 3-year term bank facilities. This loan has an expected term of 10 years and is held by AF1.

In June 2014, the Group completed a loan of £190.0m from the European Investment Bank ('EIB') borrowed by AF1, with an expected term of 10 years. The proceeds of this loan were utilised to settle the remaining £57.5m of the original 3-year term bank facility and £132.5m to make a part repayment of the 5-year term bank facilities.

In July 2014, the Group further paid down the remaining 5-year facility by £300.0m to a balance of £353.5m.

Senior bonds include the issuance of £750.0m Notes raised in February 2013 and £164.0m Notes raised in February 2014 by Arqiva Financing Plc ('AF'). These are rated BBB by Standard & Poors and Fitch. These Notes have fixed interest rates which range between 4.04% and 5.34% and are repayable between June 2018 and December 2032. These Notes are listed on the London Stock Exchange.

In February 2014, the Group closed a £164.0m fixed rate public bond issue, with an expected maturity of 2030. Net proceeds (£162.5m) from the issuance were again used to repay a portion of the original 3-year term bank facility borrowed by ASF.

Of the remaining senior bonds, £300.0m were raised in July 2014 at a coupon rate of LIBOR + 2.1% through a new 15-year amortising US Private Placement debt issue and £398.5m were raised in June 2013 by Arqiva PP Financing Plc ('APPF') through a US Private Placement transaction in a combined sterling and US dollar denominated offering. These Notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with an end maturity date of June 2025.

All of the above financing instruments have covenants attached, principally an interest cover ratio and a debt leverage ratio, and benefit from security over substantially all of the Group's assets under a Whole Business Securitisation structure. The Group continues to comply with all covenant requirements.

Junior bonds of £600.0m represent amounts raised from the issuance of Notes by Arqiva Broadcast Finance Plc ('ABF'). These Notes have a fixed interest rate of 9.5% and are repayable in March 2020. These Notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

In December 2013, as part of the Group's smart metering contract we established two further facilities in Arqiva Smart Financing Limited ('ASFL'), a Group company that sits outside the main WBS financing Group. The Comms Hub Receivables Purchasing ('CHuRP') facility allows the Group to borrow up to £30.0m, the Fee Facility allows the Group to borrow up to £1.6m. At 30 June 2015 a balance of £0.7m has been drawn (£0.5m drawn at 30 June 2014) against the fee facility, this loan has floating interest rates of LIBOR + 1.20% and is fully repayable on 30 June 2017. There were no drawdowns on the CHuRP facility as at 30 June 2015, this loan has floating interest rates which range from LIBOR + 1.20% to LIBOR + 1.75% during the initial six years of the facility, increasing to LIBOR + 2.50% at the end of the agreement in June 2026.

The deferred derivative close out costs relate to costs incurred in February 2013 on the termination of interest rate swap instruments pursuant to the Group's refinancing and are deferred to reflect the economic substance of the Group's original hedging strategy.

The premium on swap issuance arose on a restructuring of certain derivative financial instruments whereby the Group terminated existing interest rate swaps crystallising a loss of £100.5m in the year and £112.3m in the prior year (note 4) and established new interest rate swaps with a nominal value, maturity and terms to match the new financing arrangements established. The termination payment in the current year was fully funded by the £100.5m premium received from entering into the replacement swaps. The termination payment in the prior year was partially funded by the £105.3m premium received from entering into the replacement interest rate swaps. The £7.0m difference between the termination costs paid and the premium received was cash settled.

## 17 Creditors: amounts falling due after more than one year (continued)

The shareholder loan notes are unsecured, are listed on the Channel Islands Stock Exchange and are repayable between March 2021 and March 2022 and cannot be called upon early. The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% which can be deferred at the option of the Group, applicable to the capital and un-paid interest. The Group has exercised this option to defer interest payments since June 2009 and a balance of £757.9m (2014: £513.0m) is held in relation to accrued interest (note 16).

### Derivative financial instruments

At refinancing in February 2013, the Group restructured its £2,335.7m of interest rate and inflation swaps. Since that date there has been some further restructuring as a result of the above changes to the bank and other loans held by the Group.

In July 2014 the Group restructured a further £300.0m notional value of interest rate swaps so that they are contracted by AF1 rather than ASF with maturity and terms to match the new 15-year amortising US Private Placement debt issue. The associated premium was £100.5m which fully offset the loss crystallised leaving a zero net cash settlement, matching the breakage costs incurred on the ASF swaps that were replaced.

£1,023.5m of variable rate debt is now hedged via three classes of interest rate swaps contracted by Arqiva Senior Finance Limited ('ASF') and AF1 at an average fixed rate of 6.2127%. The ASF interest rate swaps (nominal value £353.2m) have 5 year mandatory break clauses co-terminus with the ASF variable rate bank debt which is due in 2018. The interest rate swaps held by AF1 (combined nominal values of £670.0m) have maturity dates of between 10 and 15 years, co-terminus with the Institutional Term Loan ('ITL') and EIB loans and the amortising US Private Placement debt issue in July 2014.

£1,312.5m of fixed and variable rate debt is hedged via three classes of inflation linked swaps which fix interest at an average rate of 2.9498% indexed with RPI. In addition, the principal amount of these swaps increases with RPI. Two classes of these swaps are break free. One class of these swaps, with a nominal value of £235.0m, has a 10 year mandatory break clause. In 2023 the termination payment falls due which reflects the fair value of the remaining payments otherwise due until maturity. The maturity date for all three classes of inflation swaps is April 2027.

AF1 has entered into £1,312.5m of floating / fixed interest rate swaps to overlay the above RPI swaps, amending the cash flow characteristics to align to the fixed coupon payable on the senior bonds and USPP debt. In addition, AF1 entered into USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the USD tranche of the Private Placement at an exchange rate of 1.52.

On 30 June 2015, the Group cash-settled the principal accretion on inflation-linked swaps of £74.9m. This amount is calculated on an accruals basis based upon RPI data, and is to be settled on a tri-annual basis. As at 30 June 2014 £59.9m was included within creditors falling due within one year.

The remaining fair value of the interest rate, inflation and cross currency swaps at 30 June 2015 (excluding the inflation swap principal accretion and the premium on swap issuance), is a liability of £1,143.1m (2014: £1,228.0m) which comprises £925.1m (2014: £978.5m) in relation to the RPI linked swaps, £201.7m (2014: £220.3m) in relation to the interest rate swaps, and £16.3m (2014: £29.2m) in relation to the cross currency swap. This fair value is not recognised on the balance sheet in accordance with Group accounting policy and UK GAAP accounting standards and is calculated on a mark-to-market basis.

The Group holds Swap Options with a total notional principal amount of £410.7m (£843.2m at 30 June 2014). The options are exercisable at maturity (co-terminus with the floating rate bank debt drawn in February 2013), and hedge the Group's exposure for the duration of the interest rate swaps to a decline in LIBOR below 1%. During the year £432.5m of the notional principal amount of the Swap Option was sold for a value of £1.0m following the recent refinancing activity.

### Company

The Company has no creditors: amounts falling due after more than one year (2014: nil).

## 18 Provisions for liabilities

Group	Onerous contract	Decommissioning	Restructuring	Remediation	Other	Total
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 July 2014	2.0	38.7	3.2	3.5	0.5	47.9
Released to profit and loss account	-	-	(0.3)	-	-	(0.3)
Charged to profit and loss account	3.6	-	11.7	0.4	-	15.7
Changes relating to movements in the discounted amount	-	1.7	-	-	-	1.7
Utilised	(0.2)	(0.6)	(8.8)	-	-	(9.6)
At 30 June 2015	5.4	39.8	5.8	3.9	0.5	55.4

The onerous contract provisions relate 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 provisions are expected to be utilised over the next five 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 19 years.

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

The remediation provision represents the cost of works identified as being required across a number of the Group's sites and is expected to be utilised over the next two to three years.

Other provisions represent a variety of smaller items which are expected to be utilised over the next one to three years.

### Company

The Company has no provisions (2014: nil)

## 19 Share capital

	Group and Company 30 June 2015 £'m	Group and Company 30 June 2014 £'m
Allotted, called up and fully paid		
653,928,000 (2014: 653,928,000) ordinary shares of £1 each	653.9	653.9

## 20 Share premium account

	Group and Company £'m
At 1 July 2014 and 30 June 2015	315.6

## 21 Profit and loss account

	£'m
<b>Group</b>	
At 1 July 2014	(2,327.9)
Actuarial loss on pension scheme (see note 27)	(6.9)
Movement on deferred tax relating to pension asset	1.4
Exchange adjustments offset in reserves (translation of foreign investments)	(0.7)
Loss for the financial year	(566.2)
<b>At 30 June 2015</b>	<b>(2,900.3)</b>
	£'m
<b>Company</b>	
At 1 July 2014	799.3
Loss for the financial year	(0.8)
<b>At 30 June 2015</b>	<b>798.5</b>

## 22 Reconciliation of movements in shareholders' (deficit) / funds

	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
<b>Group</b>		
Loss for the financial year	(566.2)	(503.7)
Other recognised gains and losses relating to the year	(6.2)	(4.0)
<b>Net change in shareholders' deficit</b>	<b>(572.4)</b>	<b>(507.7)</b>
Opening shareholders' deficit	(1,358.4)	(850.7)
<b>Closing shareholders' deficit</b>	<b>(1,930.8)</b>	<b>(1,358.4)</b>
<b>Company</b>		
Loss for the financial year	(0.8)	-
<b>Net change in shareholders' funds</b>	<b>(0.8)</b>	<b>-</b>
Opening shareholders' funds	1,768.8	1,768.8
<b>Closing shareholders' funds</b>	<b>1,768.0</b>	<b>1,768.8</b>

## 23 Cash flow from operating activities

### Reconciliation of operating profit to net cash inflow from operating activities

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Operating profit	94.2	117.9
Depreciation charge	119.7	122.6
Amortisation charge	158.9	157.7
Impairment of goodwill	30.2	-
Impairment of tangible fixed assets	3.5	-
Loss on disposal of tangible fixed assets	0.3	1.2
(Increase) / Decrease in debtors	(29.1)	2.1
Decrease in creditors	(3.3)	(51.7)
Increase / (Decrease) in provisions	5.7	(7.7)
<b>Total net cash inflow from operating activities</b>	<b>380.1</b>	<b>342.1</b>

Net cash inflow from operating activities includes cash outflows relating to exceptional items of £5.8m (2014: £7.7m). The exceptional costs accrued at 30 June 2015 of £5.8m are expected to be paid within the next financial year.

## 24 Analysis of changes in net debt

	Note	At 1 July 2014 £'m	Cash flows £'m	Non-cash changes £'m	At 30 June 2015 £'m
Cash at bank and in hand*	15	68.9	1.1	-	70.0
Loans to joint ventures	14	0.3	0.2	-	0.5
Debt due within one year	16	(69.1)	74.9	(22.4)	(16.6)
Debt due after one year	17	(4,176.6)	(102.1)	(114.8)	(4,393.5)
Finance leases	16, 17	(14.0)	0.2	-	(13.8)
<b>Total</b>		<b>(4,180.5)</b>	<b>(25.7)</b>	<b>(137.2)</b>	<b>(4,353.4)</b>

\* This excludes the restricted cash balance of £28.5m relating to a reserve account (see note 15).

Debt due after one year comprises bank loans, other loans, and shareholder loan notes as shown within note 17.

Major non-cash changes include recognition of exceptional financing costs in relation to breaking interest rate swaps and a movement in unamortised debt issue costs.

## 25 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 2015	30 June 2014
	£m	£m
Within one year	33.5	33.7
Within two to five years	0.2	10.7
<b>Total capital commitments</b>	<b>33.7</b>	<b>44.4</b>

Commitments due within one year include £16.7m in relation to the Smart Metering contract (2014 £17.5m)  
Commitments due within two to five years include £0.1m in relation to the Smart Metering contract (2014 £9.5m)

### Operating leases

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

	30 June 2015	30 June 2014
	£m	£m
Within one year	0.7	0.5
Later than one year but not later than five years	9.0	7.8
Later than five years	15.4	14.6
<b>Total land, buildings and other infrastructure locations annual lease commitments</b>	<b>25.1</b>	<b>22.9</b>

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 expiring

	30 June 2015	30 June 2014
	£m	£m
Within one year	0.4	0.4
Later than one year but not later than five years	1.4	0.9
<b>Total other annual lease commitments</b>	<b>1.8</b>	<b>1.3</b>

## 26 Contingent liabilities

Under the terms of the Group's external debt facilities, the Group has provided security over substantially all of its tangible, intangible and other assets by way of a Whole Business Securitisation ('WBS') structure.

## 27 Pension commitments

### Defined benefit scheme

In the year to 30 June 2015, the Group operated one defined benefit scheme, sponsored by Arqiva Limited. The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

### Triennial valuation

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, had 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. Arqiva Limited has agreed with the trustee to make deficit recovery payments into the Plan during 2013 (£5.7m) and 2014 (£5.7m), with one further payment made of £4.1m in July 2015. A new triennial valuation will be finalised as at 30 June 2014 in the coming months. The FRS 17 valuation as at 30 June 2015 has been prepared on the preliminary results of the 30 June 2014 triennial 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 of £196.5m (2014: £174.4m), a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities of £189.9m (2014: £169.7m) and the deficit / surplus of assets below / above the FRS 17 liabilities (which equals the gross pension asset of £nil (2014: £3.8m)).

An actuarial valuation for the purpose of statutory reporting under FRS 17 was carried out at 30 June 2015 in consultation with an independent firm of consulting actuaries, Lane Clark & Peacock LLP. The principal assumptions made are:

	30 June 2015	30 June 2014
Price inflation (RPI)	3.20%	3.30%
Price inflation (CPI)	2.20%	2.30%
Discount rate	4.00%	4.40%
Pension increases (LPI with a minimum of 3%)	3.70%	3.70%
Salary growth	2.70%	2.80%
Life expectancy of a male age 60 (current pensioner)	27.0yrs	26.8yrs
Life expectancy of a male age 60 (future pensioner)	28.9yrs	28.4yrs

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 2015 Expected return	30 June 2015 Fair value £ m	30 June 2014 Expected return	30 June 2014 Fair value £ m
Equities	n/a	85.9	7.20%	75.1
Bonds	n/a	110.1	3.80%	93.4
Cash	n/a	0.5	0.50%	5.9
Total		<u>196.5</u>		<u>174.4</u>

### Balance sheet

Total fair value of assets	196.5	174.4
Present value of scheme liabilities	<u>(189.9)</u>	<u>(169.7)</u>
Gross pension asset	6.6	4.7
Irrecoverable pension scheme surplus	<u>(6.6)</u>	-
Surplus recognised on the balance sheet	-	4.7
Deferred tax liability	-	<u>(0.9)</u>
Net pension asset	<u>-</u>	<u>3.8</u>

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.



## 27 Pension commitments (continued)

Arqiva Limited pays contributions of between 24.1% and 32.7% of pensionable salaries for the majority of the 351 active members of the scheme as at the last triennial valuation date, plus the cost of matching Additional Voluntary Contributions ('AVCs')

The Group is currently consulting with the trustees and members of the defined benefit pension scheme to close the scheme to future accrual with a potential effective date of 31 October 2015. At the current time, the Group does not have a formally agreed position in relation to the FRS 17 accounting surplus reported in relation to the scheme and therefore given the uncertainty as to the future level of contributions to the scheme the Group has applied a restriction on the recognition of the scheme surplus in accordance with UK Generally Accepted Accounting Practice.

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

	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m
1 July	169.7	150.1
Current service costs	4.7	4.6
Contributions by employees	1.4	1.3
Interest on post retirement liabilities	7.5	7.3
Benefits paid	(3.9)	(2.8)
Past service costs	0.4	-
Actuarial loss	10.1	9.2
30 June	189.9	169.7

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

	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m
1 July	174.4	147.1
Expected return on scheme assets	9.3	8.8
Actuarial gain (actual return less expected return on scheme assets)	9.8	3.9
Contributions by employer	5.5	16.1
Contributions by employees	1.4	1.3
Benefits paid	(3.9)	(2.8)
30 June	196.5	174.4

## 27 Pension commitments (continued)

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

	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Surplus / (deficit) at 1 July	4.7	(3.0)
Current service costs	(4.7)	(4.6)
Past service costs	(0.4)	-
Contributions	5.5	16.1
Other net finance income	1.8	1.5
Actuarial loss	(0.3)	(5.3)
Irrecoverable pension scheme surplus	(6.6)	-
<b>Surplus at 30 June</b>	<b>-</b>	<b>4.7</b>

The following amounts have been included within operating profit

	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Current services cost (employer only)	4.7	4.6
Past services costs (employer only)	0.4	-
<b>Total operating charge</b>	<b>5.1</b>	<b>4.6</b>

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

	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Expected return on scheme assets	9.3	8.8
Interest on post retirement liabilities	(7.5)	(7.3)
<b>Net finance income</b>	<b>1.8</b>	<b>1.5</b>

The actual return on scheme assets was £19.1m (2014 £12.7m)

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

	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Actual return less expected return on scheme assets	9.8	3.9
Experience gains arising on scheme liabilities	2.8	-
Losses due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(12.9)	(9.2)
Irrecoverable pension scheme surplus	(6.6)	-
<b>Actuarial loss recognised in the STRGL</b>	<b>(6.9)</b>	<b>(5.3)</b>

The financial assumptions as at 30 June 2015 have changed since 30 June 2014, as a result of changes in market conditions. This would place a higher value on the Plan's liabilities, and has resulted in an actuarial loss of £12.4m. Changes in mortality assumptions have also resulted in an actuarial loss of £0.5m over the period.

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £27.7m (2014 £20.8m)

## 27 Pension commitments (continued)

The history of experience gains and losses is

	2015 £'m	2014 £'m	2013 £'m	2012 £'m	2011 £'m
Present value of scheme liabilities	(189.9)	(169.7)	(150.1)	(131.3)	(109.5)
Fair value of scheme assets	196.5	174.4	147.1	128.3	113.1
Surplus / (Deficit) on scheme	-	4.7	(3.0)	(3.0)	3.6
Actual return less expected return on scheme assets	9.8	3.9	7.5	(3.3)	10.6
Percentage of Scheme's assets	5%	2%	5%	(3%)	9%
Experience gains arising on scheme's liabilities	2.8	-	-	1.7	-
Percentage of the FRS 17 value of the scheme's liabilities	1%	0%	0%	(1%)	0%
Total amount recognised in the STRGL	(6.9)	(5.3)	(0.5)	(13.8)	12.5
Percentage of the FRS 17 value of the scheme's liabilities	0%	3%	0%	11%	(11%)

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

#### Arqiva Limited

Arqiva Limited 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 £6.4m (2014 £5.4m). The assets of the scheme are held outside of the Group.

An amount of £0.9m (2014 £1.0m) is included in accruals being the outstanding contributions to the defined contribution scheme.

## 28 Related party disclosures

On a consolidated basis, transactions and balances between Group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 'Related party disclosures'.

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

### Related party transactions

As at 30 June 2015, the amount outstanding from Arts Alliance Media Investment Limited, a joint venture company, including accrued interest was £0.5m (2014 £0.3m). This balance has increased with a further loan advanced during the year. Interest charged during the year was £59,000 at 12% (2014 £22,000 at 12%).

In 2015 the Group received a dividend from MXR Holdings Limited, a Company in which the Group has a trade investment, of £0.1m (2014 £0.1m) and a dividend from YouView TV Limited, a joint venture company, of £0.2m (2014 £0.3m).

The Group paid marketing costs of £1.2m (2014 £1.3m) to DUK Limited, a joint venture.

The Group paid subscriptions of £5.7m (2014 £3.0m) to DTV Services Limited, an associate undertaking, and £0.9m (2014 £3.4m) to YouView TV Limited, a joint venture.

As referred to in the Strategic report, the Group have signed a contract with Thames Water Utilities Limited to provide smart water metering services. Thames is a related party by virtue of a common shareholder. In 2015 revenues for this contract were £0.7m (2014 £nil).

## 28 Related party disclosures (continued)

There are two investor companies, FICAL and MEIF II, which are related parties with the Group in accordance with FRS 8, by virtue of significant shareholding in the Group. Refer to the Directors Report for further details of these investor companies.

2015	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	4.7	344.8	9.3	665.2
Shareholder loan note interest for the year	1.2	62.3	2.1	120.2
Accrued shareholder loan note interest	5.9	171.6	8.2	330.6

\* A related party by virtue of common influence

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2015)

2014	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	4.7	344.8	9.3	665.2
Shareholder loan note interest for the year	1.1	54.8	1.9	105.7
Accrued shareholder loan note interest	4.7	109.3	6.1	210.4

\* A related party by virtue of common influence

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2014)

## 29 Controlling parties

The Company 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.

The Company is the parent company of the largest group to consolidate these financial statements.