



arqiva

Connected. Always.

Arqiva Group Limited Registered number 05254001

Annual Report
For the year ended 30 June 2020

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Corporate information

**As at the date of this report
(21 September 2020):**

Group Board of Directors

Mark Braithwaite
Frank Dangeard
Mike Darcey
Sally Davis
Paul Donovan (Chief Executive Officer)
Martin Healey
Neil King
Peter Adams (alternate)
Mike Parton (Chairman)
Christian Seymour
Max Fieguth (alternate)
Sean West (Chief Financial Officer)

Group website:
www.arqiva.com

Independent Auditors
PricewaterhouseCoopers LLP, 1
Embankment Place, Charing Cross,
London, WC2N 6RH

Company¹ Directors:

Peter Adams
Mark Braithwaite
Frank Dangeard
Mike Darcey
Sally Davis
Max Fieguth
Martin Healey
Neil King
Mike Parton
Christian Seymour

Company secretary:
Jeremy Mavor

Registered Office
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
05254001

¹ In respect of Arqiva Group Limited, the ultimate parent company of the Group

Cautionary statement

This annual report contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from the information presented herein. When used in this report, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Group, are intended to identify such forward looking statements. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date hereof. Save as otherwise required by any rules or regulations, the Group does not undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

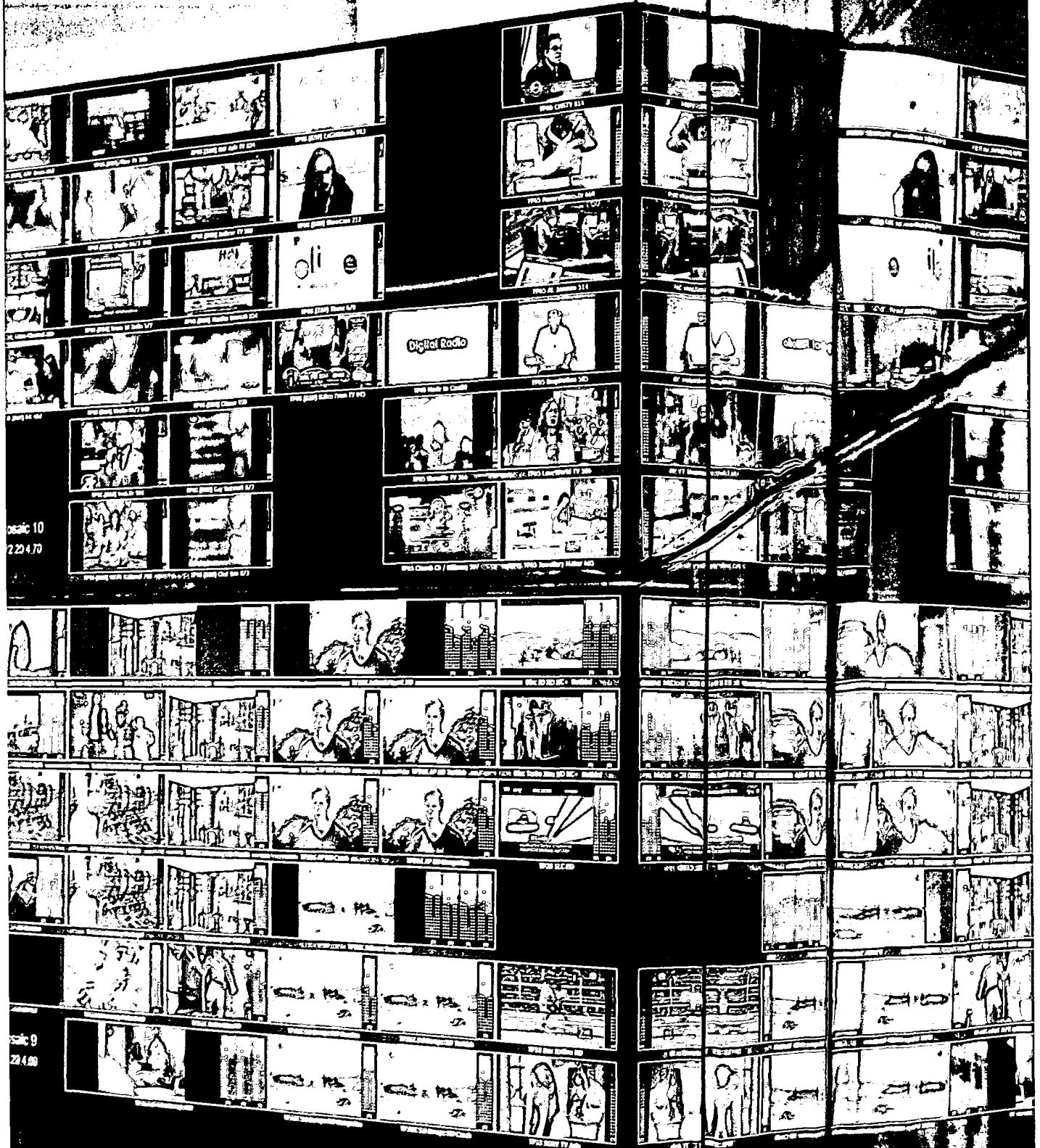
The risks and uncertainties referred to above include:

- ▷ actions or decisions by governmental and regulatory bodies, or changes in the regulatory framework in which the Group operates, which may impact the ability of the Group to carry on its businesses;
- ▷ changes or advances in technology, and availability of resources such as spectrum, necessary to use new or existing technology, or customer and consumer preferences regarding technology;
- ▷ the performance of the markets in the UK, the EU and the wider region in which the Group operates;
- ▷ the ability of the Group to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- ▷ the ability of the Group to develop, expand and maintain its broadcast and machine-to-machine infrastructure;
- ▷ the ability of the Group to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- ▷ the Group's dependency on only a limited number of key customers for a large percentage of its revenue; and
- ▷ expectations as to revenues not under contract.

Guidance note to the annual report:

In this document, references to 'Arqiva' and 'the Group' refer to Arqiva Group Limited ('AGL') and its subsidiaries and business units as the context may require. References to the 'Company' refer to the results and performance of Arqiva Group Limited as a standalone entity.

A reference to a year expressed as 2020 is to the financial year ended 30 June 2020. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to 'current year', 'this year' and 'the year' are in respect of the financial year ended 30 June 2020. References to the 'prior year' and 'last year' are to the financial year ended 30 June 2019.



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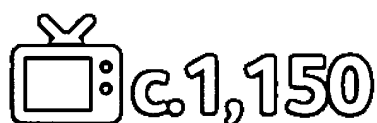
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Cover Image: Built in 1965, the mast at Sandy Heath, Bedfordshire stands 244m/801ft tall and provides TV and radio services to the surrounding area, serving almost 1 million homes for TV services.

Any group images used in this report were taken prior to March 2020.

Arqiva in 2020

During 2020 Arqiva was the leading independent telecom towers operator and sole terrestrial broadcast network provider in the United Kingdom, holding significant investments in essential communications infrastructure and a non-replicable asset base to support Arqiva's future position in the market.



TV transmission sites covering 98.5% of the UK population with the DTT¹ platform

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes², with video stream capacity of 32 channels that were 90% utilised



broadcast transmission sites



radio sites with >2,480 radio transmitters

700MHz Clearance activities completed on 1,149 sites, now over 93% through the programme



c.80 satellite dishes accessing...
...40+ satellites from
5 teleports distributing
1,100 TV channels
internationally



Smart networks targeting 99.5% coverage across the North of England and Scotland and over 600,000 meters installed to date



c.8,000
active licensed macro cellular sites³
The Group successfully signed a sale and purchase agreement for the disposal of this business line during the year

¹ Refers to the Digital Terrestrial Television platform, best known for supporting Freeview

² Main national commercial multiplexes refers to those considered to be most established

³ Reference to 8,000 sites includes contractual options on the assignment of sites, hereafter referred to as circa 8,000 active licensed macro sites. These sites have been sold post year end.

Key activities in the execution of Arqiva's strategy include:

- ▷ Driving the development and competitiveness of hybrid DTT so it remains the most popular TV platform in the UK
- ▷ Investing to maintain our market leading position in DTT, DTH and radio
- ▷ Successfully renewing and extending our multiplex licences
- ▷ Facilitating the radio industry's transition from analogue to digital
- ▷ Being the partner of choice for UK water meter connectivity
- ▷ Investing in a product portfolio that directly enhances customer value
- ▷ Growing the satellite data communications offer and identify other adjacent opportunities that utilise our core infrastructure
- ▷ Having a focus on continuous improvement that helps improve productivity
- ▷ Maintaining our investment grade ratings for corporate debt
- ▷ Continuing to reduce leverage by paying down debt



See also
Strategic Overview:
Pages 17

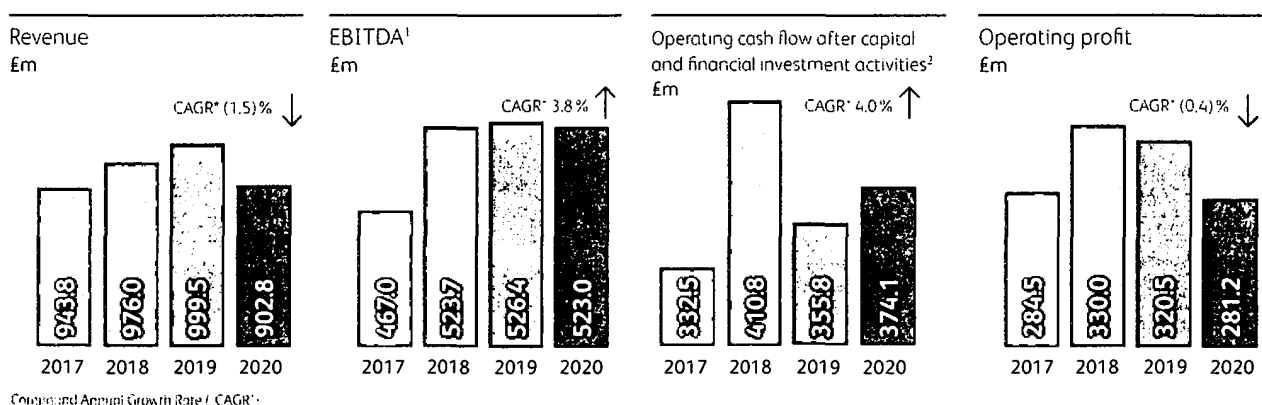


See also
Business Model and
Business Units:
Pages 13-14

Highlights

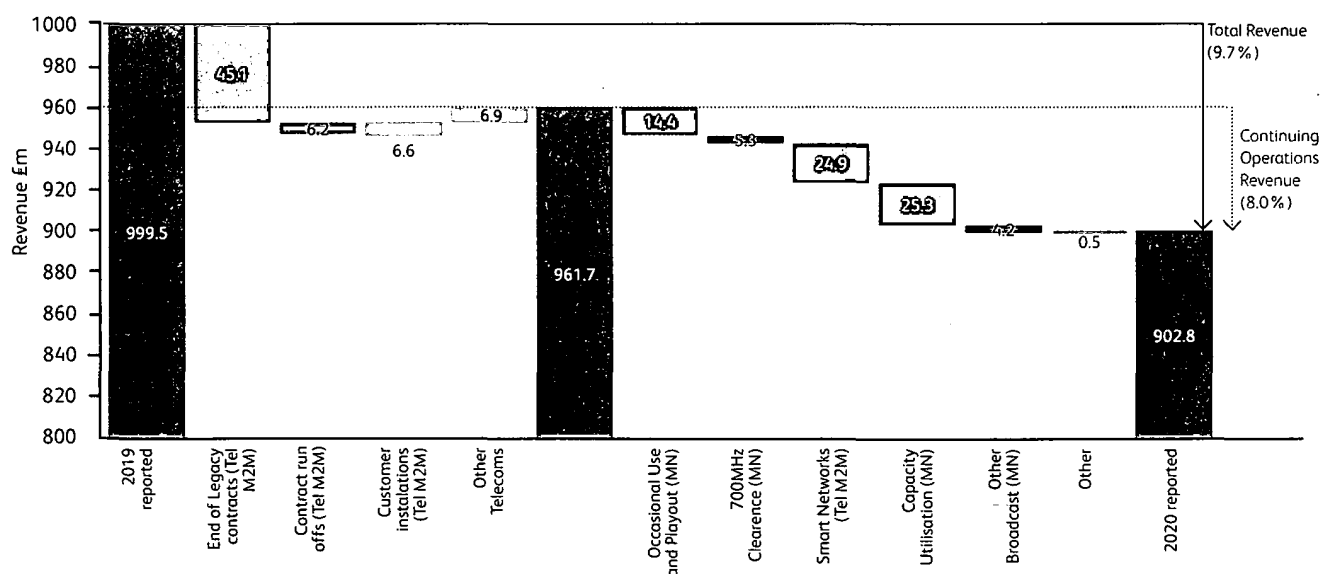
2020 has been a year of change for Arqiva following peak project rollout activity in 2019. The end of some legacy contracts, major programmes nearing completion, and exit from certain markets as well as some challenges including lower utilisation of DTT multiplexes have led to downward pressures on revenues, operating profit and EBITDA. Despite this, growth has been achieved in operating cash flows due to working capital inflows.

During the year, Arqiva announced the sale of its Telecoms business in a c.£2.0bn agreement, this is a key step in deleveraging our debt and focus on securing our position in broadcast and M2M markets.



Key influences on revenue decline³ (£m):

Group revenue has decreased 9.7%, with decreases spread across the business reflecting decreases due to end of legacy contracts within discontinued operations, expected decreases from 2019 peak activity as major programme activity nears completion, wind down of products lines and market conditions. The chart below reflects total revenue for the business.

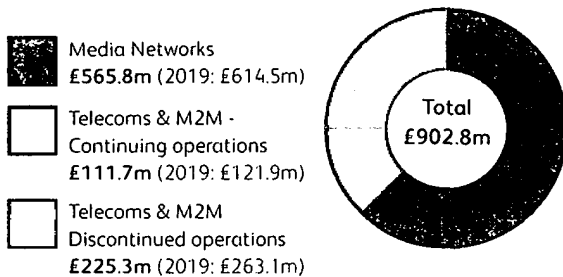
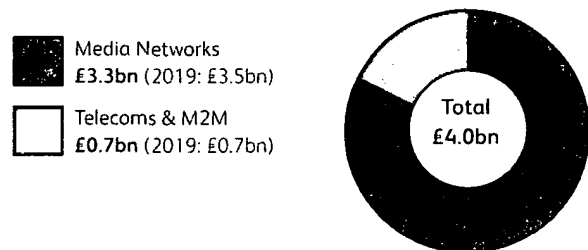


¹ EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation'. This includes adjustments for certain other items charged to operating profit that do not reflect the underlying business performance. See page 25 for where this measure is fully explained and reconciled back to operating profit as presented in the income statement.

² Operating cash flow after capital and financial investment activities is a non-GAAP measure and represents the net cash generated by the business after investment in capital items. This represents the remaining cash available to service the capital structure of the business, or the return of cash to shareholders in the form of dividends. A full reconciliation between this measure and net cash generated from operations is presented on page 26.

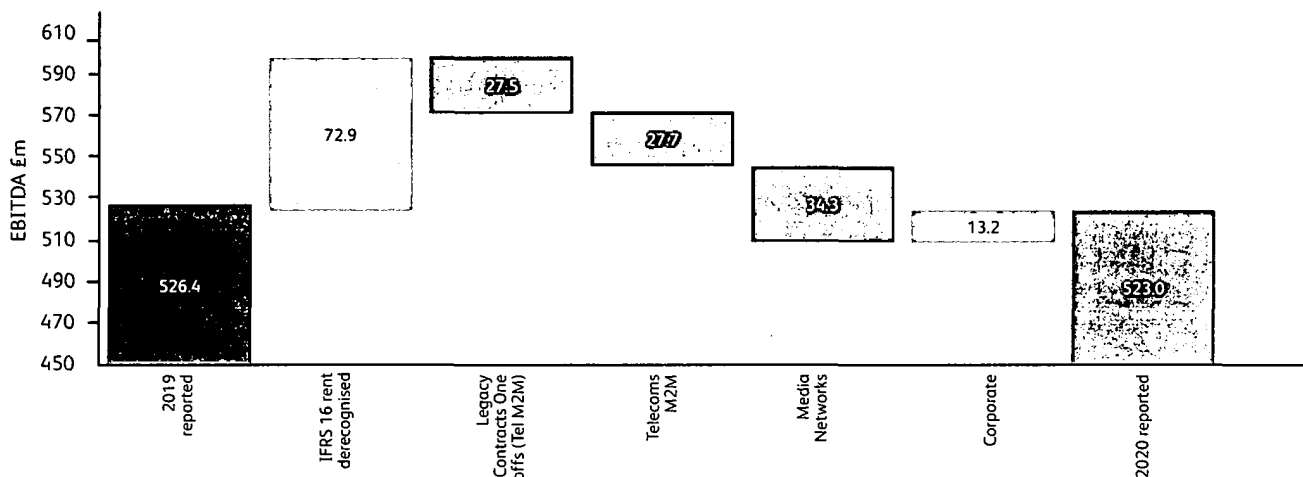
³ Key drivers are stated along with the operating segment in which these business streams are aligned, i.e. Media Networks (MN) and Telecoms & M2M ('TelM2M'). 'Other movements' reflect a number of smaller movements across the business as a whole. Further information and narrative are included in the financial review on page 24.

Revenue by operating segment £m

Contracted Order book¹ £bn

Key influences on EBITDA:

2020 has been a significant year of change for the Group with reorganisation of business units, work towards the sale of the Telecoms business unit that completed post year end and the impact of the Covid-19 pandemic as well as adoption of the new IFRS 16 leasing standard significantly impacting the Group financials. The following waterfall chart demonstrates the year on year factors that have impacted total EBITDA for the Group including both continuing and discontinued operations.



Key financial activities during the year include:

- ▶ Revenue decrease for the year of 9.7%, (8.0% from continuing operations) reflecting expected declines due to the end of legacy contracts, decision to exit certain market areas and programme completion along with some challenges in the markets in which we operate including impacts from the Covid-19 pandemic;
- ▶ Delivery of the 700MHz programme in accordance with key programme milestones, with work completed on 1,149 sites thus far as the project nears completion;
- ▶ Continuing the delivery phase of the smart energy metering contracts, finishing the year with network coverage of circa 99%;
- ▶ Securing a contract to deliver a Smart Water metering communication network for Anglian Water;
- ▶ Implementation of the IFRS 16 Leasing standard which has a material impact on the Group financials given the nature of our business, contributing to only a 0.6% decrease in earnings (i.e. EBITDA) for total reported business and EBITDA from the continuing business remaining consistent year on year despite revenue decreases;
- ▶ Agreement of sale of the Group's Telecoms infrastructure at an enterprise value of £2.0bn. The sale completed post year end on 8 July 2020 and this business line is presented as a discontinued operation throughout the financials for the Group;
- ▶ Repayment of Group's £350m 4.04% coupon senior bond

¹ Contracted order book is presented for continuing operations. 2019 comparative figures have been re-presented to exclude discontinued operations.

Chairman's introduction

“The business will need to evolve, but our unique service capabilities, from our critical national infrastructure, gives a strong platform to be built on in order to better serve the changing delivery requirements of the markets”

Financial Performance

Significant investment in our core broadcast and machine-to-machine networks has continued, maintaining our unique infrastructure base and the leading position this places us in within the industry. Delivery on our major capital programmes, such as smart metering and 700MHz Clearance has progressed, but with activity on the latter declining in line with our expectations as the project nears completion. There has also been agreed delays in milestones as a result of the Covid-19 pandemic.

This year saw the first operational year of the combined Media Networks business bringing together the broadcast capabilities of Terrestrial and Satellite services into a single team. The sale of the Telecoms business provides further opportunity for operational review of the business with plans to move away from the traditional business unit model and adopt a more integrated operating model in order to better serve our customers across the products and services we provide.

The 2020 financial year has therefore seen a decline in revenue from the record levels achieved in the prior year. Whilst much of this was anticipated as some projects and programmes mature and reflecting strategic decisions to exit certain contracts, there have been some challenges as our markets evolve together with customer pressures particularly in the landscape of the last few months, as the country deals with the implications of the global Covid-19 pandemic.

Sale of the Telecoms Business

In October 2019, Arqiva announced the agreement for the sale of its Telecoms business to Cellnex for c. £2.0bn. Following approval from the Competition and Markets Authority, the sale completed post the end of the 2020 financial year on 8 July 2020. The transaction included divestment of c. 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites of Arqiva's retained sites across the UK. Relevant staff within the Telecoms business also transferred to the Cellnex business as part of the transaction.



Following this disposal is a period of evolution for the Group, adapting how Arqiva operates with the focus on securing Arqiva's position as the number one provider of broadcast infrastructure and being a leading player within the utilities market. The disposal proceeds will also enable a significant deleveraging of the Group's debt levels.

Change in Chief Executive Officer

On 20 April 2020, Paul Donovan was appointed as Arqiva's Chief Executive Officer. Prior to his appointment Paul was a Non-Executive Director on the Arqiva Board and brings over 20 years' experience in senior executive roles across the technology, media and telecommunications business. Previous roles include CEO positions at Odeon and UCI Cinema Group and eir, Ireland's leading telecommunications business.

Paul succeeds Simon Beresford-Wylie who joined as CEO in 2015. On behalf of the Board, I would like to thank Simon for his significant contribution to Arqiva and our many successes over this period.

Outlook

Following the sale of the Telecoms business, Arqiva continues to seek new opportunities in its key broadcast and utilities markets. These are dynamic markets demonstrated with evolving trends in TV content delivery, radio distribution and machine-to-machine capabilities supporting energy management for utilities companies. By continuing to work with key stakeholders, including government, regulatory bodies and our customers, we can strengthen these relationships to help influence the future industry.

Moving forward, strengthening Arqiva's leading position as a broadcast infrastructure provider and leading player in the UK machine-to-machine utilities market underpin the core priorities of the business. The business will need to evolve, but our unique service capabilities, from our critical national infrastructure, gives a strong platform to be built on in order to better serve the changing delivery requirements of the markets.

This can be further developed with a revised long-term strategy, new operating model and continued transformation across the Group in order to achieve efficiencies and streamline processes. Developing a common vision across the whole Group to create the high performance and engagement needed to find new opportunities supported by our platforms.

Finally, on behalf of the Board, I would like to thank all our employees across the business for their hard work and dedication, particularly with the dynamic response to remote working over the past few months, continuing to contribute to the success of the business.



Mike Parton
Chairman
September 2020



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Chief Executive's Statement

"2021 marks the start of a new chapter for Arqiva, as we develop a new integrated business model"

Strategy

Following the sale of our telecoms business, 2021 marks the start of a new chapter for Arqiva, as we develop a new integrated business model giving more clarity and shared accountability for customer delivery and the achievement of our business objectives. As we undergo these changes which will impact the long-term strategy and focus of the Group, we have a framework of core priorities that we will use to guide and inform our strategic decisions and they are as follows:

1. Secure our leading position in broadcast TV and radio
2. Be the foremost provider of managed network solutions for the utilities sector
3. Place productivity, innovation and sustainability at the heart of our actions
4. Create a high performance, high engagement culture
5. Deliver financial outcomes which create value

Within the broadcast market, viewer habits continue to evolve presenting challenges and opportunities to deliver content. Markets are going to change and we need to act quickly in order to respond. However, as DTT and DAB platforms remain the primary platforms of choice we will continue strong delivery on these and manage the successful *renewal of licences*. We will also need to be more proactive, engaging with stakeholders in order to influence the shape of the industry as streamed services continue to grow, and the opportunities there will be to utilise other products in content delivery in these dynamic markets.

Within the Group's machine-to-machine operations, we will continue to deliver on our smart metering contracts. The smart energy metering rollout progresses through the supply of devices for installation which will communicate via

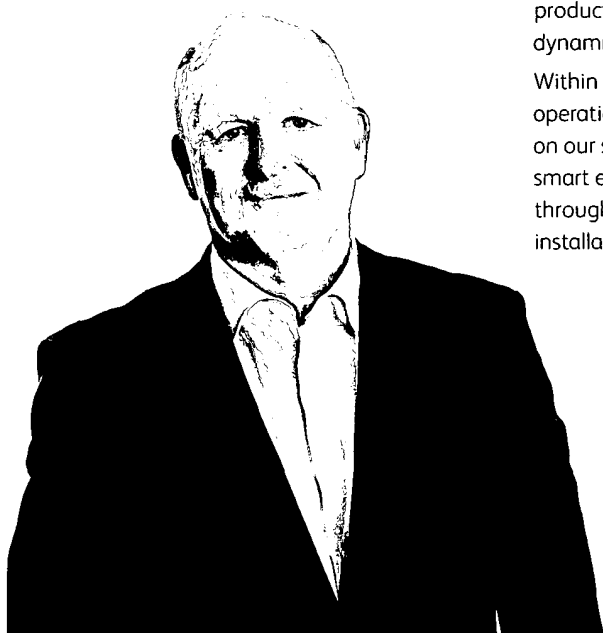
the network. The Group will also have a greater focus on further opportunities for smart metering within the water network with a view to this being a key area of growth. Following the recent win of the Anglian Water contract and continued progress with Thames Water, Arqiva demonstrates its capabilities to roll out the networks that assist in enhancing these customers' water management capabilities in order to achieve leakage and consumption savings.

Operational delivery

With dynamic markets and the unprecedented impacts of Covid-19, the industry in which we operate and our operational delivery have faced a challenging time through 2020.

DTT remains the primary platform medium within the broadcast market. Alternative platforms are however continuing to grow, for example streaming services as viewer habits change. Whilst the radio market remains strong as we deliver both analogue and increased DAB services, the year has presented challenges to our customers on their advertising revenues. Across the broadcast industry these pressures will continue until markets can normalise.

The 700MHz Clearance programme has continued, albeit with lower activity than in previous years as expected as the programme nears its completion. Although completion was delayed due to constraints from the Covid-19 pandemic,



the last two clearance activities were completed in August 2020 and the programme deemed a success by Ofcom.

The Arqiva network for the smart energy metering contract in the North of England and Scotland remains at 99% coverage, transmitting millions of messages each month between the energy companies and consumer gas and electricity meters. Roll-out of the Thames Water network has continued and delivery has been boosted through securing the Anglian Water contract.

Financial performance

The financial results for the year reflect changes in the business and programme completion as well as some market challenges. Revenue has decreased, down 9.7%¹ in total and down 8.0% excluding the discontinued operations performance of the Telecoms business that has been subsequently sold post year end. The revenue decline has been felt across the business in both Telecoms & M2M (12.5%) and Media Networks (7.9%). Significant decreases in the Telecoms & M2M business are driven by the end of legacy contracts.

This has been partially offset by the start of 5G roll-out boosting Installation Services revenues. Media Networks has managed decreases through lower revenues on Occasional Use and Playout following the business decision to exit these markets and lower 700MHz Clearance programme activity as expected as it nears completion, but has also felt the pressures of reduced utilisation on the DVB-T multiplex and supporting radio customers through the Covid-19 pandemic.

¹ Total reported revenues of £902.8m in 2020, and £999.5m in 2019 and continuing operations revenue of £677.5m in 2020, and £736.4m in 2019

² Referencing operating profit (2020: £281.2m; 2019: £320.5) and EBITDA as reported on page 25 (2020: £523.0m; 2019: £526.4m)

³ Referencing continuing operations operating profit (2020: £185.5m; 2019: £207.6m) and continuing operations EBITDA (2020: £391.6m; 2019: £391.7m)

⁴ 2019 contracted order book has been re-presented to exclude the discontinued operations of the business

Although total operating profit has decreased 12.3%², total earnings have only decreased 0.6%³ partly due to the change in accounting for leases.

Continuing operations operating profit has decreased 10.6% and continuing operations EBITDA has remained flat year on year.

Whilst we have a smaller business going forwards, this enables us to be more focussed in securing our leading positions in these markets. As some projects mature, the broadcast business continues to provide strong and predictable revenues. We continue to invest significantly in our long-term capital infrastructure in order to support building our product and services to meet customer requirements. The continuing business has a contracted order book of £4.0bn (2019: £4.2bn)⁴.

Response to Covid-19

This year has seen the unprecedented challenges from the Covid-19 pandemic. As a critical national infrastructure provider, it is imperative for us to maintain our services providing communications and broadcast capabilities across the country. This has put our business continuity plans to the test in order to mitigate both operational and financial risks for the Group. We have responded to the government guidelines ensuring our sites conform to Covid secure guidelines for the safety of our staff and to allow our keyworkers to continue the provision of our services to our customers. We have also implemented alternative working arrangements and technology to support office based staff

transition to working from home. Our commitment to our partners has also been demonstrated through the discount support packages we have given to our commercial radio customers to support them through this period.

Outlook

Despite 2020 being a challenging year, as a business a lot has been achieved across our operational delivery and project work, and for part of the year in the face of a global pandemic. Our achievements are down to the hard work and commitment displayed by our colleagues in challenging circumstances, as we continue to deliver strong performance in the service delivery to our customers. The outlook in to the next financial year marks a point of change as we realign our long-term strategy to the new business and allows us to focus on being proactive and innovative to new opportunities across the broadcast and utilities markets.



Paul Donovan
Chief Executive Officer
September 2020

Business overview

The UK's leading player in critical network infrastructure services for Broadcast and Utility

Arqiva is one of the UK's leading communications infrastructure and media service providers, with a strong market position, diverse revenue streams and long-life assets.

The Group is the only national provider of terrestrial television and radio broadcasting and provides a machine-to-machine connectivity network for smart metering within the utilities

sector. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve. Arqiva is independent and reliable.

Arqiva earns network access and transmission service revenues from its

customers, as well as fees for engineering services and new projects. Arqiva's services tend to be mission-critical for its customers, as well as providing the network coverage necessary for the fulfilment of the universal service obligations ('USOs') for Terrestrial Broadcast customers set out in their operating licences from the UK government.

In addition, the Group completes various engineering projects for customers such as technological upgrades, installations and coverage or compression upgrades.

Whilst it has a small overseas presence, Arqiva's assets, operations

and markets are predominantly within the UK and its business is driven from this region; therefore, it has minimal exposure to international markets, Brexit impacts from the UK's withdrawal from the EU or foreign exchange.

The Group has invested significant sums into its infrastructure and has £1.5bn of property, plant and equipment at 30 June 2020. Arqiva is financed through a mixture of equity and long-term debt, with an average debt maturity profile of over 5 years. The Group's senior debt has an investment grade (BBB) rating from Standard and Poor's and Fitch and a junior debt rating of B-/B1 from Fitch and Moody's.

Attractive UK communications infrastructure market

- ▶ DTT is the most popular TV platform in the UK covering 98.5% of the population; and
- ▶ Smart networks targeting 99.5% coverage across the North of England and Scotland and over 600,000 smart meters installed to date

A market leader

The following key competitive positions make Arqiva the market leader:

- ▶ Sole provider of terrestrial television network access (Freeview);
- ▶ Owner of 2 of the 3 main national commercial multiplexes; and
- ▶ Pre-eminent role in radio broadcasting both locally and nationally.

High barriers to entry

Arqiva owns critical national UK infrastructure that enables PSBs¹ to meet their government mandated universal coverage obligations.

Significant investment would be required to replicate the infrastructure, including UK planning permissions to erect new masts. Arqiva also has long established relationships with its customers spanning more than 80 years.

¹ Refers to Public Service Broadcasters ('PSBs')

A pioneer in an always on, always connected world.

Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936 it carried the BBC's first television broadcast. In 1978 it enabled Europe's first satellite TV test. By the 1990s Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. In the 2000s, it launched the UK's national DAB radio and digital terrestrial television network. Most recently, Arqiva has played a pioneering role in the roll-out of the national smart energy and water metering networks.

The Group's technology and infrastructure, combined with its history and experience, enable it to work with everyone from major broadcasters (such as the BBC, ITV, Sky, Turner and Canal+) to independent radio groups and utility companies (such as Thames Water and Anglian Water) to the Data Communications Company (DCC).

Given the exponential growth of connected devices from smartphones and tablets to connected TVs and development of the smart meters network, there is an ever-increasing demand for data communication. It is essential that businesses and consumers have access to seamless, uninterrupted communications and broadcast quality content anywhere and at any time.

Every day Arqiva's infrastructure and technology enable millions of people and machines to connect wherever they are through television, radio, mobile phones or through machine-to-machine activities. Arqiva's television and radio services reach some of the most isolated individuals and communities in the UK, helping to bridge the digital divide. Arqiva strives continually to find ingenious new ways to support its customers.

Investing to ensure the UK has the communications infrastructure it needs to enable a vibrant digital economy, behind the scenes and central to millions of vital connections.

Business model and business units

Arqiva owns and operates a portfolio of cellular sites, TV and radio transmission sites supporting broadcast and communications across the UK.

Arqiva seeks to maximise shareholder value by investing in its considerable site portfolio to not just maintain its reliability, but also to maximise its potential. Accordingly Arqiva has a wide range of service capabilities including:

- ▶ Broadcast transmission from its towers;
- ▶ DTT, radio and satellite multiplexes;
- ▶ Machine-to-machine network connectivity supporting smart networks;
- ▶ Satellite transmission; and

For the year ended 30 June 2020, our business was aligned into the following customer-facing business units, supported by the Group's corporate functions:

Media Networks

Media Networks combines the previous Terrestrial Broadcast and Satellite & Media business units, along with the Networks team previously within the Corporate business area enabling us to serve our customers seamlessly irrespective of which distribution platform the customer is using. Media Networks owns the infrastructure and sites for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, owns and operates teleports at key locations in the UK, as well as international terrestrial fibre distribution network, media facilities, leased satellite capacity and delivers related engineering projects.

Within the division, the Group utilises its network of circa 1,150 TV sites to carry Freeview into circa 24 million households every day, making it the UK's most popular TV platform. Arqiva's critical national infrastructure provides coverage to 98.5% of the UK's population.

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as UKTV, Sky, CBS and Turner to deliver broadcasting content using our channel capacity. Arqiva also owns both HD-enabled DTT multiplex licences that provide services to Freeview and other DTT-related platforms including Youview. In addition, the business unit operates more than 1,500 transmission sites for TV and radio, providing coverage to circa 90% of the UK population. Arqiva is a shareholder in and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex.

The business unit holds a regulated position as the sole provider of network access for terrestrial television broadcasting. The Group is currently earning revenue on delivery of the

programme to clear the 700MHz frequency range of television signals, so that it can be used for mobile data although revenues are declining in this area in line with achievement of roll-out of the programme.

The Group is also the UK's leading independent owner and operator of teleports and media management facilities serving many of the world's largest multi-channel broadcasters and sports-rights organisations, as well as providing data connectivity to the utilities and natural resources sectors.

Arqiva manages the distribution of more than 1,100 international TV channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner including coverage of high-profile sporting events. Arqiva's operation of reliable and secure VSAT¹ communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical

¹ Refers to 'Very Small Aperture Terminal' ('VSAT')

communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite

product base. Arqiva's global satellite network delivers content to the world's major Direct-to-Home (DTH) platforms including Sky and Freesat as well as the increasingly popular IPTV, mobile and web TV platforms.

Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.3bn (2019: £3.5bn¹) which includes major contracts running as far as 2035.

Telecoms & M2M

Telecoms & M2M controlled a large portfolio of active licensed macro sites and generated revenues from site share arrangements as well as installation services for the roll-out of 4G and 5G data capabilities and other site and equipment upgrades. This business unit also generated revenues with respect to the build and operation of the smart 'machine-to-machine' networks and other data transmission services including small cells, and other M2M applications.

The Telecoms & M2M division was the UK's largest independent provider of wireless towers, with circa 8,000 active licensed macro cellular sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing agreements, from which Arqiva earns site share revenues

and delivers equipment upgrades for the roll-out of new technologies. These towers are central to achievement of Mobile Network Operators' contractual obligations and requirements to provide up to 98% 4G coverage.

Arqiva has access to municipal street furniture sites for the provision of small cells and commercial wireless networks across 14 London Boroughs.

With a focus on innovation, Arqiva continues to embrace the fast developing machine-to-machine sector for which Arqiva utilises its Flexnet network across our smart metering contracts with utility and water companies. The Group has invested in building M2M networks, which are now supporting a major energy metering contract spanning 15 years and covering more than 9 million premises,

and water metering contracts which will cover 3 million homes in an initial phase of 6 years, with likely extension for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which now result in recurring cash flows during the long-term operational phases of the networks. The M2M utilities business remains a key part of the ongoing Arqiva business.

Following the disposal of the Telecoms business, the M2M network continues to be a key area of focus for the Group with an order book of £0.7bn (2019: £0.7bn)¹, with some contracts running as far as 2036.

Corporate

Corporate functions comprise Finance, Legal & Regulatory, Information Technology and Connectivity and People & Organisation.

¹ 2019 order book for Media Networks has been re-presented to combine the previous Terrestrial Broadcast and Satellite and Media business units following the restructuring of the business in the year.

² 2019 order book for Telecoms M2M has been re-presented to exclude the contracted order book of the disposed Telecoms business.

Business model and business units

Sale of the Telecoms portfolio

Post year end, on 8 July 2020, Arqiva successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c. 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiary entities, the largest being

Arqiva Services Limited.

Following this disposal we enter a period of evolution for the Group with the focus on maintaining Arqiva's position as the number one provider of broadcast infrastructure and being a leading player within the machine-to-machine market. There will be a change in the organisational structure of the Group, moving away from the traditional business units and adopting

an integrated operating model in order to better serve our customers with their requirements for our products and services. The following demonstrates how the key infrastructure looks to support this focus moving forward in to the next financial year.

The Group remains a critical national infrastructure business supported by the following unique asset base.



C. 1,150 TV transmission sites covering 98.5% of the UK population with the DTT¹ platform



Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes², giving videostream capacity of 32 channels



80 satellite dishes accessing 40+ satellites from 5 teleports, distributing 1,100 TV channels internationally



Smart water networks to both the largest UK water company by population and the largest by geographical area. Over 500,000 water meters operating on these networks to date



Smart networks targeting 99.5% network coverage and over 600,000 smart meters installed to date



See also
Strategic Overview:
Page 17



See also
Key Performance Indicators:
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Spotlights: — — —
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¹ Refers to the Digital Terrestrial Television platform, best known for supporting Freeview.

² Main national commercial multiplexes refers to those considered to be most established.

Strategic overview

Vision

Arqiva's vision is to be central to every vital connection that people in the UK make, every day.

Arqiva's core values guide how people work together ensuring we go the extra mile to help our customers reach their customers and audiences:

- ▶ Looking for **ingenious** and smarter ways to support our customers; embracing change and fresh thinking to find solutions that add real value;
- ▶ Working with each other and customers in a **straightforward** way to ensure that Arqiva is always efficient, effective and understood, keeping things simple and clear and acting with integrity; and
- ▶ Bringing expertise and passion to **collaborative** working to provide a cohesive service to customers.

Strategy

Our continued ambition is to be the UK's leading player in critical network infrastructure services for Broadcast and Utility.

The following summarise the core priorities of the business.

- 1. Secure our leading position in broadcast TV and Radio**
- 2. Be the foremost provider of managed network solutions for the utilities sector**
- 3. Create a high performance, high engagement culture**
- 4. Deliver financial outcomes which create value**

Whilst the long term strategy of the Group is undergoing a period of change, key steps in the execution of Arqiva's core priorities include:

- ▶ Driving the development and competitiveness of hybrid DTT so it remains the most popular TV platform in the UK
- ▶ Investing to maintain our market leading position in DTT, DTH and radio
- ▶ Successfully renewing and extending our multiplex licences
- ▶ Facilitating the radio industry's transition from analogue to digital
- ▶ Being the partner of choice for UK water meter connectivity
- ▶ Investing in a product portfolio that directly enhances customer value
- ▶ Growing the satellite data communications offer and identify other adjacent opportunities that utilise our core infrastructure
- ▶ Having a focus on continuous improvement that helps improve productivity
- ▶ Maintaining our investment grade ratings for corporate debt
- ▶ Continuing to reduce leverage by paying down debt

2020 Progress

Securing our leading position in broadcast TV and Radio

- ▶ Big successes in service reliability with instances of over 1,500 days without avoidable outage
- ▶ Continued delivery across the portfolio including the 700MHz Clearance programme

Be the foremost provider of managed network solutions for the utilities sector

- ▶ Continued delivery on smart metering networks
- ▶ Winning the contract to deliver a smart water metering communication network for Anglian Water

Creating a high performance, high engagement culture

- ▶ Holders of Investors in People Gold award
- ▶ Focus on diversity and inclusion in the workforce with training provided to employees across the business
- ▶ Mental health first aiders trained across the business

Deliver financial outcomes which create value

- ▶ Challenges to revenue and EBITDA growth
- ▶ Reduction in operating costs
- ▶ Improvement in net operating cash generation

Business update

The Group's contracted order book value for continuing operations at 30 June 2020 was £4.0bn (2019: £4.2bn)¹. In the year the Group won circa £477m of new contracts for continuing operations. A significant proportion of the value of this order book relates to medium to long-term contracts which includes DTT and radio transmission and smart metering, as well as other infrastructure services. The Group remains focused on growth opportunities in targeted, core infrastructure areas.

Corporate

Sale of Towers business and repayment of debt

On 8 July 2020, Arqiva successfully completed the sale of the Telecoms business by disposing Arqiva Services Limited and five smaller entities to Cellnex. The c. £2.0bn deal was first announced in October 2019 and includes the sale of c.7,400 sites and contractual rights to market a further c.900 sites across the UK.

The majority of the sales proceeds are being used to repay senior debt and derivatives that will result in a stronger capital structure for the remaining business.

In April 2020 the Group also entered into a new £165m Working Capital Facility. The purpose of this facility was to provide additional liquidity and was used together with drawings on other working capital and capex facilities to repay the £350m public bond which matured on 30 June 2020. This served as a bridge between the bond repayment date and receipt of the Telecoms business disposal proceeds. Immediately prior to 30 June 2020 the Group had drawn down £160m under this newly established facility, and post the financial year end this facility has been repaid from the disposal proceeds.

Separation

The separation process in respect of the above sale also completed on 8 July 2020, with all impacted Telecoms employees transferring from Arqiva Limited to the disposed Arqiva Services Limited. Operationally, the Transition Services Agreements (TSA) went live on this date following a successful period of testing during June and early July. A separate TSA exit programme is being initiated to ensure an eventual smooth migration off the TSA systems and services.

Credit ratings updates

Following the sale of the Telecoms business and the resulting deleveraging of the Arqiva group, in June 2020 Moody's announced a one notch upgrade (to Ba2/B1) for the junior debt. Fitch and S&P maintained the ratings existing prior to the sale with senior and junior debt at BBB (Fitch/S&P) and B- (Fitch) respectively.

New CEO and new organisation structure
Paul Donovan was appointed Chief Executive Officer on 20 April 2020. Paul has over 20 years' experience in senior executive roles across the technology, media and telecommunications sectors. He was a Non-executive Director on Arqiva's Board since 2018 and has previously been CEO of Odeon and UCI Cinemas Group and eir, Ireland's leading telecommunications business. Paul was also a member of the Vodafone Group's Executive Committee, where he led the Group's emerging markets businesses.

Following the Telecoms disposal, Paul will drive the next phase of Arqiva's evolution by focusing on strengthening the Group's position as the UK's number one broadcast infrastructure solutions provider and a leading player in the UK M2M market. To drive this focus, Arqiva has adopted a new organisation structure

underpinned by an integrated operating model. The business will move away from its business unit structure and organise itself in a way that will better serve our customers, their delivery requirements, and the products and services that we provide. This change will:

- ▶ Place productivity, innovation and sustainability at the heart of our actions;
- ▶ Create a high performance, high engagement culture; and
- ▶ Deliver financial outcomes which create value.

Covid-19

During this period of the Covid-19 pandemic, Arqiva continues to provide customers with essential communications infrastructure for broadcast, media and M2M services. We have deployed business continuity plans as part of our operational and financial risk mitigation, to ensure the safety of our staff and the ongoing provision of services for our customers.

Measures have been put in place across a number of areas including:

- ▶ Ensuring workplaces and activities conform to the government Covid Secure guidelines;
- ▶ Implementing alternative working arrangements and technology to keep our employees and contractors safe;
- ▶ Having a phased step plan for resuming activities as restrictions ease;
- ▶ Ensuring regular communication with critical suppliers, identifying and managing any risks;
- ▶ Ensuring disaster recovery plans can be invoked for critical assets and systems;
- ▶ Cyber security, where we have reviewed and further strengthened this; and

¹ 2019 contracted order book has been re-presented to exclude the discontinued operations of the business.

- Financial liquidity, where we continue to review our available facilities and have increased the Group's working capital bank facilities

Transformation update

Our newly deployed digital workplace has supported our teams (more than 1,600 people) in working remotely from our offices since March 2020, without interruption or degradation to our services or productivity. The first major releases of our new integrated core platforms underpinning our business transformation, remain on track for the end of the calendar year. Our Enterprise Resource Planning (ERP) solution, Asset Management solution and service and network management platforms are also all being released during the next financial year. These transformations are further underpinned by our ongoing data transformation across the Arqiva *enterprise enabling new business* intelligence and analytics capabilities. We continue to invest in new technologies to optimise our business, secure our infrastructure and digitise our ways of working driving increased efficiency and providing more flexible ways of working for our employees.

Media Networks

700 MHz Clearance and DTT spectrum
Following a 4 month delay due to Covid-19, the last two Clearance events were successfully completed in August 2020. This completes the viewer-facing retune events and makes the 700MHz spectrum available for Ofcom auction which was the *prime objective of the programme*. Ofcom issued a news release upon completion that stated 'The biggest Ofcom project you've probably never heard of', which is testament to the work completed by Arqiva, given nearly 35 million households needed to retune their TVs over the last 3.5 years. The impact of the delay on Arqiva's cash flow and profitability was limited, as we aligned the major spend on contractors with the remaining cash receipts relating to this project. Project completion activities will continue for another year including the removal of the temporary mast at Emley Moor.

Digital Platforms channel utilisation
Arqiva's main (DVB-T) multiplexes remain highly utilised with 90% of capacity sold as at 30 June 2020. With a strengthening in utilisation in the final quarter of the year due to the addition of a fourth 24hr slot due to launch in September 2020 and extensions of other customer commitments on the DTT platform to 2026.

The uptake of TV viewing on the DTT/Freeview platform has been strong during the period of lockdown as more people stay at home. TV has provided a vital way of keeping people informed, helping with social isolation and entertainment. The wide reach of the DTT platform has been of vital national importance for delivering news and other information to the whole nation and for supporting society during the current pandemic.

The Group's current interim DVB-T2 multiplex licence ended in June 2020 and was replaced by Ofcom with a new licence with a 3 month rolling notice period. As a result of the change Arqiva moved from two to one multiplex in the spectrum - it closed Com8 multiplex with the remaining services moving to the Com7 multiplex. The terms of the licence mean that Arqiva will be required to vacate the spectrum if it is needed by the holder of the spectrum following Ofcom's auction of the 700 MHz spectrum. Ofcom recently announced that it plans to auction the spectrum in January 2021. Subject to the notice period being triggered and avoiding interference, Arqiva will have the right to remain in the spectrum until June 2022.

Radio

Like many sectors of the wider economy, UK commercial radio was impacted by Covid-19 with a reduction in revenue as many businesses cut advertising budgets as a result of the temporary closure of shops, car retailers and travel companies, amongst others. Discussions between Arqiva, the government and the radio industry resulted in a reduction of fees for independent commercial radio customers across both DAB and analogue. The aim is to ensure the sector can emerge strongly from Covid-19. The fee reductions were welcomed by the Minister for Media and

Data, who praised Arqiva for their support.

Despite the loss of advertising revenue, informal indications are that the volume of hours of radio listening has increased during the lockdown as more people tune in to radio for news and entertainment. With the easing of lockdown restrictions, we expect radio advertising to increase again as companies strive to regain market share and rebuild their businesses. Viewed over a longer timescale, trends remain positive. The latest figures from industry data provider RAJAR show that 58.6% of listening is now to digital radio platforms (Q1 2020) with DAB representing more than two thirds of digital consumption. Listening to national commercial radio has shown particularly strong growth. The switch to the more efficient DAB+ audio coding has enabled customers to launch further new national stations. This has helped keep the first national commercial DAB multiplex, Digital One (wholly owned by Arqiva) at 100% occupancy. The second national multiplex, Sound Digital (a joint venture between Arqiva 40%, Bauer 30% and Wireless 30%) is also fully contracted. Even during the pandemic, the big radio groups continued to bring new national stations to DAB with Smooth Chill from Global launching in April 2020 and Times Radio from News UK in June 2020.

Lastly, Arqiva has also further extended its relationship with BBC, a key strategic partner, with the renewal of the Analogue Radio agreement for an additional 5 years. This agreement covers the key AM and MW services the BBC deliver to its listeners around the UK and further underpins the importance of radio to the UK.

Business update

Telecoms & M2M

Anglian Water

In June 2020, following an open competitive procurement process and long running trials, Arqiva was selected to deliver a smart metering fixed network for Anglian Water. Designed to enhance Anglian Water's management capabilities, Arqiva's contract will support them on their mission to achieve leakage and consumption savings and meet Ofwat's water leakage targets for the next five-year period and beyond. During the initial five-year period of the contract, Arqiva will deploy the fixed network infrastructure to support the operation of over three-quarters of a million (789,000 target by 2025) smart water meters across 24 planning zones. Arqiva will then operate the infrastructure for a further 15 years. Covering both household and non-household properties, the project will support Anglian Water's target Planning Zones including Norwich, Lincoln, Northampton and Peterborough, among others.

The trial follows two successful projects between Arqiva and Anglian Water in Newmarket and Norwich which began in 2016 and 2018. During the first 18 months of the Newmarket trial, billed customers who migrated from a "dumb" meter to a smart meter reduced their consumption by 11%, mostly due to reducing customer side leaks.

Thames Water

Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 30 June 2020, there were over 480,000 meters installed and well over 10 million meter readings being delivered per day. It is currently the largest smart water metering network in the UK and it comprises high coverage across the Thames Water London region. At the beginning of June 2020, Thames Water announced publicly that round-the-clock data from smart meters across London has helped it find and repair a record number of leaks, hit its regulatory target, and reduce overall leakage from its 20,000 mile network of pipes by 15 per cent in one year. Smart meters have helped Thames Water achieve what it described as the water industry's "biggest reduction in leakage this century".

Yorkshire Water

Arqiva has been selected by Yorkshire Water to deliver and monitor a smart metering fixed-network trial as part of its plans to revolutionise its leakage detection programme. This two-year exercise will see Arqiva build and monitor the fixed-network infrastructure to facilitate the operation of new smart water meters for non-household customers across 30 of Yorkshire Water's areas.

Designed to facilitate real-time monitoring, the collection and presentation of frequent meter reading data provided by the service will allow Yorkshire Water to reduce demand for

water by rapidly identifying leaks and helping customers understand their usage.

Meter installations began in mid-May 2020 and our network went live at the end June 2020. The non-household meters are smart-enabled and, where they are installed in coverage, will automatically connect to the fixed network.

Other Trials

For a water company in the South East of England, over the last year, Arqiva has been supporting its global technology partner Sensus, a Xylem brand, in a multi-vendor, multi-technology evaluation smart water metering trial including the use of their data analytics platform. Over this period, we have been providing hourly reads with a consistently high service. Based upon our performance we have ended up serving the majority of the meters in the trial, c.1,450 of a total complement of c.1,800 meters.

In the Midlands, for the last 12 months with a major water company, Arqiva has been participating in a multi-vendor, multi-technology smart water metering evaluation trial. Over this period, we have again proven the excellent performance of our technology and managed service. We are now discussing the options of an extension and expansion of the trial for a further two years enabling the water company to fully evaluate the benefits and establish a business case for a future full smart metering roll-out.

Smart energy metering rollout

The Group's smart metering communication network in the North of England and Scotland currently covers 99.4% of premises and is planned to reach final coverage of 99.5% by the end of the calendar year. The customer, the Data Communications Company (DCC), continues to submit change requests that reflect new industry requirements, but at a reduced volume compared to the previous period.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC latest data states that there are now 4.3 million SMETS2 meters on the national network. Whilst the rollout completion date is currently under consultation and was likely to be extended from 2020 to the end of 2024, we believe a further extension may be considered in light of Covid-19. Arqiva continues to work proactively with DCC, BEIS and other service providers to minimise any effects.

Customer contracts renewals

In December 2019, Arqiva successfully renewed a long-term contract with a major telecoms customer for a duration of ten years plus option to extend for a further two years at the customer's election.

A new Home Office contract was agreed for a 12 year period (with ability to extend by 3 years) to provide Air-to-Ground (A2G) communications as part of the new Emergency Services Network (ESN) service. The contract covers c. 40 sites (about a third of the overall A2G network).

Airwave provide the current ESN service across the UK and the Home Office has extended the service mandate to Airwave for a minimum 3 year period.

Arqiva has renewed the Airwave contract across c. 1,000 sites, again for 3 years, with flexibility to extend as the service mandate may also extend. Additional revenues are anticipated from upgrades across the Airwave network.

A new Master Site Share Agreement (MSSA) was agreed with EE for provision of site share services across c. 1,200 sites as part of EE's mobile network which includes the future ESN. The terms will operate for a 10 year period with the option of two further extensions of one year each. Additional Installation and upgrade fees are expected as part of the UK's 5G roll-out.

Financial review

Headline financials

Revenue	Revenue continuing operations	EBITDA
↓ 9.7% to £902.8m	↓ 8.0% to £677.5m Revenue from discontinued operations down 14.4% to £225.3m	↑ 0.6% to £523.0m
EBITDA continuing operations	Operating profit	Operating profit continuing operations
Flat at £391.6m EBITDA from discontinued operations down 2.4% to £131.4m	↓ 12.3% to £281.2m	↓ 10.6% to £185.5m
Loss before tax	Operating cash flow	Operating cash flow after capital and financial investment activities
£319.0m Loss before tax from continuing operations £400.3m (2019: £478.7m loss) Profit before tax from discontinued operations £81.3m (2019: £113.2m)	↑ 3.8% to £489.0m	↓ 5.0% to £373.6m

Financial performance

For the year ended 30 June 2020, revenue for the Group was £902.8m, a decrease of 9.7% from £999.5m in the prior year. The decrease is reflective of managed and expected declines in activity from peaks in 2019 as the business exits certain areas as well as legacy contracts and major programmes nearing completion.

On 8 July 2020, the Group announced the completion of the sale of its telecoms infrastructure and related assets for consideration of £2.0bn. The telecoms business represents a significant line of business for the Group and has therefore been presented as discontinued operations in these financial statements. The comparative information has also been re-presented.

Revenue includes £225.3m (prior year £263.1m) from discontinued operations relating to the Group's Telecoms business which sits within the Telecoms & M2M business unit. Excluding the effect on financial performance of this part of the business, revenue from continuing operations decreased 8.0% from £736.4m to £677.5m.

Revenue by operating segment	30 June 2020 £m	30 June 2019 £m	Variance %
Media Networks	565.8	614.5	(7.9)%
Telecoms & M2M	337.0	385.0	(12.5)%
Total	902.8	999.5	(9.7)%
Total continuing operations	677.5	736.4	(8.0)%
Total discontinued operations	225.3	263.1	(14.4)%

As discussed on page 13, on 1 July 2019 the Terrestrial Broadcast and Satellite and Media business units were merged into a single customer facing business unit, to be known as Media Networks. The Networks team previously within the Corporate business unit has also moved into the Media Networks business unit. For purposes of comparison the segmental results for the comparative periods have been re-presented to reflect the change in operating segments.

Media Networks revenues decreased by 7.9% from £614.5m to £565.8m year on year. This decrease was partly driven by managed reductions for example in traditional Occasional Use satellite distribution following the Group's decision to fully exit this market. Revenues from the 700MHz Clearance programme have decreased in the year as expected as the programme nears completion with 1,149 sites now completed, and are expected to continue to reduce in the next financial year as the programme reaches completion. Further decreases have however been felt due to challenges in the market, for example by reduced capacity utilisation on the main (DVB-T) multiplexes owing to a small number of customers reviewing their channel portfolios. Media Networks has also been impacted by the Covid-19 pandemic with discounts provided to independent commercial radio customers to support them through this period. These decreases have been partially offset by RPI linked price increases on broadcast contracts and a greater volume of engineering projects.

Telecoms & M2M revenues decreased by 12.5% from £385.0m to £337.0m year on year. The decrease was primarily

driven by one off reductions incurred on, and an end to, legacy contracts within the core telecoms towers business and lower site share rentals resulting from lower site assignments. This has however been partially offset by Installation Services revenue, generated from assisting MNOs in meeting coverage requirements, which has increased in the year with annual revenue of £34.5m in 2020 (2019: £27.9m) due to the start of 5G roll-out. Excluding the effect of the Group's Telecoms business held for sale and presented as a discontinued operation, which contributed £225.3m revenue to this business unit in 2020 and £263.1m in 2019, the continuing operations revenue decreased by 8.0%. The continuing operations predominantly reflect the M2M utilities business. Revenues have decreased due to incremental change request revenues in the prior year not repeated at the same levels as the contracts progresses, partially offset by increased core revenue as the business continues through the delivery phase and additional services launched.

Gross profit was £632.2m, representing a 1.7% decrease from £643.2m in the prior year. Gross profit from the continuing business decreased by 0.4% year on year

from £492.5m to £482.4m excluding the Telecoms operations held for sale. The change in margin is predominantly due to revenue as explained previously, offset by a reduction in Cost of Sales following the implementation of the IFRS 16 leasing standard explained below. This has been offset by decreases in revenue as explained above.

Other operating expenses before exceptional items were £109.2m, down 6.5% from £116.8m in the prior year. The decrease is primarily due to a reduction in headcount and therefore staff costs following the implementation of the new Media Networks structure. This is partially offset in increased headcount in other areas supporting the significant project work being undertaken through the year.

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that are not considered to reflect the underlying business performance. A reconciliation of EBITDA to operating profit is provided on page 25.

EBITDA by operating segment	30 June 2020 £m	30 June 2019 £m	Variance %
Media Networks	389.2	390.0	0.2
Telecoms & M2M	178.1	188.4	5.5
Other ²	(44.3)	(52.0)	14.8%
Total	523.0	526.4	(0.6)%
Total continuing operations	391.6	391.7	0.0%
Total discontinued operations	131.4	134.7	(2.4)%

EBITDA for the Group was £523.0m, representing a 0.6% decrease from £526.4m in the prior year. EBITDA as a measure has been significantly impacted in 2020 by the implementation of the new accounting

standard IFRS 16 Leases. IFRS 16 was implemented by the Group on 1 July 2019 with the capitalisation of leases on the balance sheet as right-of-use assets, therefore reducing the rent expense incurred in the

income statement as the unwind of the right-of-use asset is recognised as depreciation hence reducing cost of sales and increasing EBITDA.

The accounting for IFRS 16 has increased

¹ Other refers to the Group's corporate business unit. See pages 13-14 for a description of the Group's business units and the activities involved.

Financial review

EBITDA by £72.9m in the year due to the derecognition of rental expense in cost of sales. This has been offset by the decrease in trading performance of revenues across the business due to exiting of legacy contracts, and wind down of certain programmes. Despite the decline in the current year, the annualised growth rate of EBITDA over the past 4 years remains positive at 3.8%.

EBITDA for the Group's Media Networks business was £389.2m, representing a 0.2% decrease from £390.0m in the prior year. The movements in the year is due to reduction in utilisation of our DTT multiplexes, wind down of the Occasional Use business, and activity levels impacting revenue related to the 700MHz Clearance programme, together with Covid-19 impacts offset by rent costs no longer recognised within cost of sales following IFRS 16 implementation and headcount reductions following the combination of the Terrestrial Broadcast and Satellite and Media business units.

EBITDA for the Group's Telecoms & M2M business was £178.1m, a 5.5% decrease from £188.4m in the prior year. This decrease has been driven by the one-off reductions on end of legacy contracts

impacting margins partially offset by the changes in lease accounting. EBITDA for the continuing operations within the business unit was £46.7m, a decrease of 13.0% from £53.7m predominantly due to a change in margins driven by incremental change request revenues within the M2M business from the prior year not being repeated at the same levels.

The decrease in other costs versus the prior year is reflective of continued focus on cost management.

Depreciation (2020: £207.2m; 2019: £184.1m) and amortisation (2020: £10.4m; 2019: £15.8m) were collectively an 8.9% increase of £17.7m year on year. There was an increase of £34.3m year on year due to the implementation of IFRS 16 with the capitalisation of right-of-use assets on the statement of financial position as at 1 July 2019 and therefore creating a higher cost base for depreciation in the current year. This increase has been offset due to lower depreciation not being charged on assets designated as held for sale assets and lower accelerated depreciation and amortisation charges than in the prior year related to asset replacements connected with the 700MHz Clearance programme as the project

nears completion and Occasional Use and Payout assets as these contracts cease and the Group's IT transformation programme.

Exceptional items charged to operating profit were £34.7m, up from £13.5m in 2019. Costs in the current year predominantly relate to transaction costs associated on one-off projects including costs in relation to the divestment of the Telecoms towers business. Further costs include reorganisation costs relating to changes in the structure of the business and costs incurred as the Group executes its transformation programme.

Operating profit for the year was £281.2m, a decrease of 12.3% from £320.5m in the prior year and a decrease of 10.4% in relation to the continuing operations of the Group. Whilst there has been a benefit from the adoption of IFRS 16 as a result of the removal of rental costs from cost of sales, this has been offset by an increase in depreciation due to IFRS 16 as well as the exceptional charges due to significant projects being undertaken by the Group which have resulted in the overall decrease.

A reconciliation between operating profit and EBITDA is presented below:

Reconciliation between operating profit and EBITDA	30 June 2020 £m	30 June 2019 £m
Operating profit	281.2	320.5
Exceptional items charged to operating profit	34.7	13.5
Depreciation	207.2	184.1
Amortisation	10.4	15.8
Other income	(10.5)	(7.5)
EBITDA	523.0	526.4

Finance costs (net of finance income) were £714.9m, an increase of 10.2% from £648.9m in the prior year. The increase was primarily due to the compounding effect of interest on outstanding shareholder loan note principal and accrued interest as well

as £23.8m interest on lease liabilities following IFRS 16 adoption. These have been partially offset by decreases in bank and other loan interest following the refinancing of Junior bonds in the prior year and lower principal amounts of senior debt due to repayments made.

The Group reported £114.7m gains within other gains and losses in the year (2019: £37.1m losses). This principally arises from positive fair value movements (gains of £121.7m; 2019: losses of £13.7m) recognised in respect of derivative contracts, which are not hedge accounted, attributable to changes in market yields

and credit spreads. An £8.1m loss (2019: £9.1m loss) was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however, the cross- currency swaps provide an economic hedge to the Group's US\$ denominated debt. Also included within

other gains and losses is a £1.1m gain (2019: £nil) incurred in the year in relation to the close out of swaps related to the Group's £350m senior bond repaid on 30 June 2020.

Loss before tax was £319.0m, a decrease from a loss of £365.5m in the prior year. The loss before tax is reported after non-cash charges of £621.2m (2019: £662.6m) as shown below:

Reconciliation between loss before tax and profit before tax and non-cash charges/(gains)	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Loss before tax	(319.0)	(365.5)
Depreciation	207.2	184.1
Amortisation	10.4	15.8
Accrued interest on shareholder loan notes	465.9	409.7
Other non-cash financing costs ¹	51.3	30.3
Foreign exchange revaluations on financing	8.1	9.1
Fair value movements on derivative financial instruments	(121.7)	13.7
Total non-cash charges	621.2	662.7
Adjusted profit before tax and non-cash charges	302.2	297.2

Cash Flow

Net cash inflow from operating activities was £489.0m, representing an increase of 3.8% from £471.1m in the prior year. This increase is owing to a working capital inflows driven by accruals arising from accrued settlement of the swaps closed out on 30 June 2020 and VAT payment deferrals due to Covid-19, partially offset by the utilisation of cash received in advance during prior years (decreasing contract liabilities) and timing of payments, typical with historical trends of the business.

Net capital expenditure and financial investment was £115.4m, consistent with £115.3m in the prior year.

Capital expenditure on the purchase of tangible and intangible assets has decreased principally owing to decreased expenditure on significant capital projects such as the 700MHz Clearance programme as it progresses. The expenditure reduction has been offset by a reduction in asset disposal proceeds from the prior year on the disposal of non-core business assets.

Operating cash flow after capital and financial investment activities² was £373.6m, an increase of 5.0% from £355.8m in the prior year. Whilst operating profit has decreased, cash flows have increased due to working capital inflows for the year. There

has also been an increase due to the change in presentation within the cash flow statement of payments on lease liabilities under IFRS 16 with these payments now presented within financing activities in the current year.

Total cash flow for the year was a £89.8m inflow (2019: £27.7m outflow). The increase is predominantly due to the increase in cash inflows from operating activities explained above as well as a significant reduction in cash outflows from financing activities due to net cash inflows on borrowings.

Reconciliation between net cash inflow from operating activities and operating cash inflow after capital and financial investment activities	30 June 2020 £m	30 June 2019 £m
Net cash inflow from operating activities	489.0	471.1
Purchase of tangible and intangible assets	(115.4)	(122.8)
Sale of tangible assets	-	7.5
Net capital expenditure and financial investment	(115.4)	(115.3)
Operating cash flow after capital and financial investment activities	373.6	355.8

¹ Includes amortisation of debt issue costs, unwinding of discount on provisions, imputed interest and interest on lease liabilities.

² Net cash inflow from operating activities after net capital expenditure and financial investment, and net proceeds/costs on the disposal/acquisition of subsidiary undertakings and other related investments

Financial review

Financial position

Net liabilities were £4,095.1m, representing an increase of 8.8% from £3,762.6m in the prior year. The net liability position is primarily driven by the capital structure reflecting the shareholder loan notes, borrowings, lease liabilities and derivative financial instruments held, with increases in these areas driven primarily by increased accrued interest. Our assessment of going concern is set out on page 28.

Financing

The Group established its Whole Business Securitisation ('WBS') structure in February 2013, and since then it has continued to refinance elements of its debt structure further extending its

maturity profile. The Group continues to hold significant levels of financing incurring costs thereon. Standard and Poors and Fitch reconfirmed their rating of Arqiva's senior

debt at BBB, and Fitch and Moody's respectively confirmed and upgraded the junior debt rating at B-/B1. At 30 June 2020 the Group's debt finance¹ comprised:

	Falling due				Total £m
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	
Facilities drawn	350.8	5.0	195.0	27.2	578.0
Finance lease obligations	21.7	19.3	49.3	32.6	122.9
Senior term debt	-	-	370.0	-	370.0
Senior bonds and notes	119.4	146.5	425.2	675.9	1,367.0
Junior bonds	-	-	625.0	-	625.0
Shareholder loan notes	-	-	2,148.1	-	2,148.1
Total	491.9	170.8	3,812.6	735.7	5,211.0

Included within the above is £4,011.8m of fixed rate debt and £1,426.6m of floating rate debt of which £251.0m is US\$ denominated. The Group holds interest rate swaps (including inflation-linked interest rate swaps) and cross-currency swaps to hedge its interest rate and foreign currency exposures. This hedging strategy is employed to ensure the certainty of future interest cash flows.

Refinancing
On 30 June 2020, the Group repaid £350m bonds maturing at this date. The Group exited the related inflation linked swaps with a fair value of £117.6m at this date for a settlement value of £116.5m. The gain on close out is recognised within exceptional other gains and losses in the year. The cash settlement of the exit has been made post year end.

Post year end disposal proceeds have been utilised to further repay debt and swaps including £440.0m of facilities drawn at year end, £108.0m senior term debt and £563.5m senior bonds and notes.

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements at the senior financing level:

Senior debt level financial covenant ratios	30 June 2020	30 June 2019
Maximum allowed ratio of net debt to EBITDA	7.50	7.50
Actual ratio of net debt to EBITDA	4.17	4.11
Minimum allowed ratio of cash flow ² to interest	1.55	1.55
Actual ratio of cash flow ² to interest	2.98	2.92

¹ Excluding unamortised debt issue costs and finance lease obligations recognised as held for sale at year end

² 'Cash flow' as defined under the Group's financing common terms agreement, i.e. this is not a GAAP measure

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. At 30 June 2020 the Group had a cash balance of £110.1m

(2019: £20.3m). 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.

Drawings on facilities at 30 June 2020	Total Facility £m	Drawn £m	Available £m
Working capital facility	300.0	300.0	-
Capital expenditure facility	250.0	250.0	-
Liquidity facility	250.0	-	250.0
Other facilities ¹	31.6	28.0	1.6
Total	831.6	578.0	251.6

Going concern

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The proceeds from the sale of its Telecoms business will enable a significant deleveraging during the next financial year. The Group has sufficient financial resources which, together with

internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments both in terms of capital programmes and financing. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing this financial information.

The Directors have also taken into account the potential implications of the current Covid-19 situation and have determined that given there will continue to be demand for services provided by the Group and the Group has a mixed customer base, the going concern basis remains appropriate.

¹ Includes the Comms Hub Receivables Purchasing facility and Fee Facility established to support the Group's smart energy metering contract; with the facilities held within entities that sit outside the main Whole Business Securitisation ('WBS') financing group.

Key performance indicators

The Group uses a combination of financial and non-financial key performance indicators ('KPIs') to measure progress against its strategic priorities.

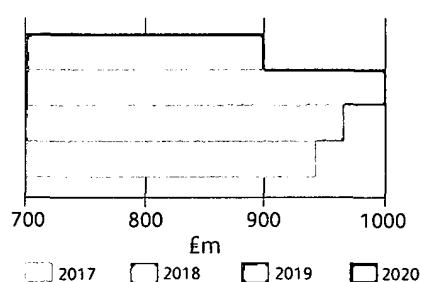
The Group's core priorities centre around:

1. Secure our leading position in broadcast TV and radio
2. Be the foremost provider of managed network solutions for the utilities sector
3. Create a high performance, high engagement culture
4. Deliver financial outcomes which create value

See page 17 for further details on our strategic priorities

Delivering financial outcomes that create value...

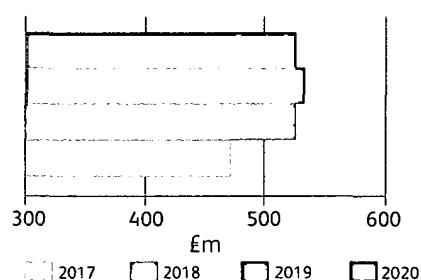
Revenue



Definition – Revenue is presented as per the financial statements, and in accordance with IFRS 15.

Result – Revenue has decreased 9.7 % from the prior year (2020: £902.8m; 2019: £999.5m) and 1.5 % on an annualised basis over the past four years. Following record revenues in the previous year the primary drivers of this reduction were expected due to one off contractual reductions and end of legacy contracts, managed exit of the Occasional Use satellite distribution, and reductions on the 700MHz Clearance programme as the programme nears completion as well as reduced capacity utilisation on DVB-T multiplex.

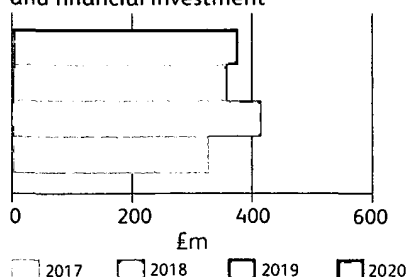
EBITDA



Definition – EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. See page 25 for its reconciliation to operating profit.

Result – EBITDA has been positively impacted in the year with the adoption of the IFRS 16 leasing standard. EBITDA reduced 0.6 % from the prior year (2020: £523.0m; 2019: £526.4m) but continues to demonstrate growth over the past four years 3.8 % on an annualised basis. The reduction in the year was lower than the revenue decrease due to the derecognition of rental costs of £73.5m for leases due to IFRS 16 implementation.

Operating cash flow after capital and financial investment



Definition – Operating cash flow after capital investment activities represents the cash generated after the spending required to maintain or expand its asset base. This is calculated as the net cash flow from operations minus the net cash flow from capital expenditure and financial investment. See page 26 for its reconciliation to net cash flow from operations.

Result – The cash generated was £374.1m, up 5.1 % from the prior year. The increase was driven by working capital inflows as a result of increased contract assets and accruals. Capital expenditure has remained flat year on year. Annualised growth over the past four years remains positive at 4.0 %.

Securing our leading market positions...

Delivery on our customer promises

The Group has continued to meet its contractual milestones and continues to engage with all contract stakeholders to meet future milestones. This includes:

- ▶ The Smart Metering M2M contract, where network milestone B16 (99.4% network coverage) was achieved in December in line with our contractual obligations.
- ▶ 700MHz Clearance. As of 30 June 2020, 52 out of 54 (96%) Clearance Events and 1,149 out of 1,236 (93%) Site Visits have been completed. The programme was on track to clear the 700MHz

frequency by April 2020 before Covid-19 restrictions meant DCMS requested postponement of the last two clearance events. Supporting infrastructure preparation works are progressing well with 98% (50 sites) of Main Station airworks and 99% (412 sites) of Relay Station airworks complete. In addition, groundworks have completed at 61% (32 sites).

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2020	99.99 %	99.98 %
2019	99.99 %	99.99 %
2018	99.99 %	99.99 %
2017	99.99 %	99.99 %
2016	99.99 %	99.99 %

Definition – Arqiva strives 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 Arqiva has consistently been able to achieve excellent levels of network availability.

Our people...

	Investors in people award
2019	Gold
2018	Gold
2017	Silver
2016	Gold
2015	Gold

Definition – The Group takes part in the 'Investors in People' accreditation for which more than 16,000 UK businesses take part. Since our last assessment the award criteria have undergone a significant overhaul to include new, even more rigorous criteria.

Result - Arqiva holds 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. It reflects the commitment to our values, clear focus on individual and team objectives aligned with business goals, focus on systems and process improvements.

Arqiva has also been awarded an Investors in People 'Health and Wellbeing Good Practice Award' demonstrating its work investing in the health and wellbeing of colleagues across the business.

Spotlight: Media Networks



TV transmission sites



radio transmission sites



DTT multiplex licences



earth stations accessing
>40 satellites



teleports



We deliver
via satellite
to 5 continents
24/7

Services delivered

The Media Networks business was established in July 2019 combining the previous Terrestrial Broadcast and Satellite and Media business units with the Networks team. This business area focusses on the Broadcast market of TV, radio and Satellite data communications and provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90% of the UK's radio transmission, including ownership interests in the two commercial national digital radio multiplexes. Included within this business is the Group's DTT multiplex business, which 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). The business unit also provides a range of services to transmit content around the globe. It holds five award winning teleports which represent a significant barrier to entry in the market. Arqiva provides customers with up-linking and down-linking services to offer a satellite and fibre distribution network to distribute customers' data and programming, including c.50% of all channels on the Sky platform. Media management services include

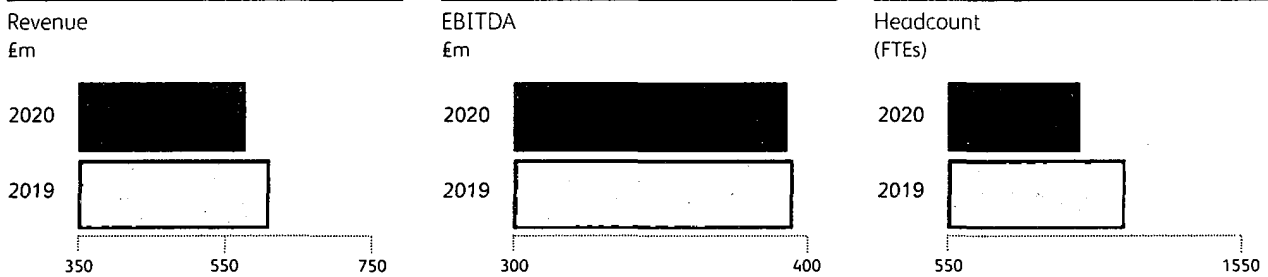
watermarking and advert placement, and connected TV services (including video on demand, streaming, metadata management and other over-the-top services). Additionally, it can offer secure and reliable satellite data communications to remote and hostile locations. These customisable end-to-end solutions are currently provided to energy and aeronautical organisations.

The Group's radio and TV broadcast operations (network access and managed transmission) are regulated by Ofcom on behalf of the wholesale broadcast customers. The Group's other business unit is not regulated.

Our customers include...



¹ Total number of broadcast sites are circa 1,500, some of which overlap to broadcast both TV and radio signals.

Business snapshot¹

Media Networks revenue and EBITDA declined in the year due to the exit and wind down of contracts plus some market challenges:

- ▶ Decrease in Payout and Occasional Use following the business decision to exit these areas;
- ▶ Lower activity on 700MHz Clearance programme compared to peak activity in the prior year as programme nears completion; and
- ▶ Lower multiplex capacity utilisation.

Market environment – Media Networks

Like many sectors of the wider economy, UK commercial radio was impacted by Covid-19 with a reduction in revenue as many businesses cut advertising budgets as a result of the temporary closure of shops, car retailers and travel companies, amongst others. Discussions between Arqiva, the government and the radio industry resulted in a reduction of fees for independent commercial radio customers across both DAB and analogue. The aim is to ensure the sector can emerge strongly from Covid-19. The fee reductions were welcomed by the Minister for Media and Data, who praised Arqiva for their support. Despite the loss of advertising revenue, informal indications are that the volume

of hours of radio listening has increased during the lockdown as more people tune in to radio for news and entertainment. With the easing of lockdown restrictions, radio advertising is expected to increase again as companies strive to regain market share and rebuild their businesses.

The latest digital radio listening figures show 58.6% of listening is now to digital radio platforms with DAB representing more than two thirds of digital listening. Arqiva continues to be in discussions with regard to industry changes in this area and the Group's DAB network places the business in a prominent position to support DAB as the long-term successor in the digital radio market.

Across the broadcast industry, consumer trends are changing. Streaming services continue to grow, recently aided by the Covid-19 lockdown period. Customers continue to transition to OTT services and Internet Protocol (IP) delivered content with the ability to access this content in many more ways than just the traditional TV set. Smart TV's and set-top boxes continue to be important as they provide the end-user with a seamless experience regardless of the delivery method. Growth in these other platforms requires the broadcast market to be able to offer opportunities to deliver flexible networks and cloud-based solutions to deliver content in more dynamic ways.

¹ Business snapshot includes only one year of comparative data following the restructuring of the business units in the current year.

Spotlight: Telecoms & M2M



>12million
Premises to be covered
by our smart networks

Services delivered

On 8 July 2020, Arqiva successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c. 7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the group has sold six subsidiary entities,



600,000
smart meters
installed to date

the largest being Arqiva Services Limited. The remainder of this section refers to the continuing M2M operations of the business unit.

Utilising the Group's sites, Arqiva is building machine-to-machine networks as part of long-term contracts to provide smart metering communications across the UK for gas, electricity and water playing an essential role in bringing

99.5%
network coverage target
across the North of England
and Scotland

energy saving initiatives into consumers' homes and providing them with the data to make better informed decisions.

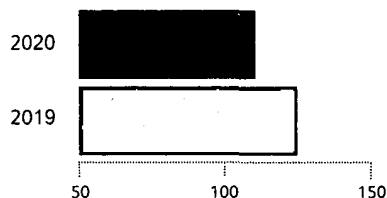
The Group is the provider of the gas and electricity smart meter network in Scotland and the North of England for the Data Communications Company, as well as the smart water partner for Thames Water and Anglian Water, two of the largest water companies in the UK.

Our customers include...

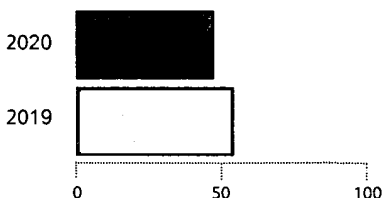


Business snapshot¹

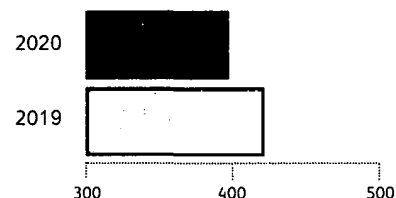
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was a decline in M2M revenues and EBITDA year on year driven by:

- ▶ Incremental change request revenues in the prior year not repeated;
- ▶ Offset by core revenue increases through delivery phase of the contract; and
- ▶ Growth in smart water revenues following contract signed with Anglian water.

¹ Figures provided in the below charts exclude the performance of the telecoms business sold and therefore reflect continuing operations revenue and EBITDA within the Telecoms & M2M business unit.

Market environment – M2M

Following the sale of the Telecoms business in July 2020, moving forward Arqiva will continue to focus on market opportunities across the utilities sector within the remaining M2M business.

Water is a vital and increasingly scarce resource with water companies facing increasing pressure from Ofwat to achieve leakage and consumption savings. Machine-to-machine infrastructure and capabilities in the water sector continue to expand with

solutions vital to both identifying leaks in their systems but also to encourage more responsible use of a critical national resource. Meter installations in households are also helping consumers understand their water usage.

M2M platforms continue to grow with a move towards more automation and the phase out of manual activities. The changes provide opportunities for how Smart services are delivered with the ability to add greater performance and

value to utilities companies.

With growing reliance on data, telecommunications street furniture is being recognised as a vital component of infrastructure for current and next generation telecoms equipment, including outdoor small cells. The Group continues to actively develop its outdoor small cells proposition. Arqiva's solution uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas.

Corporate responsibility

Everything we do at Arqiva is guided by our values. Arqiva endeavours to conduct its business in a way that benefits all its stakeholders including its customers, suppliers, employees, shareholders and the communities in which it operates. Our three core values were developed by the Group's employees and are therefore owned by its people.

Ingenious

Finding ingenious and smarter ways to support our customers. Inspiring customers and each other, embracing change and fresh thinking and finding solutions that add real value.

Straightforward

Talking and acting in a clear and straightforward way to make sure we're always effective and understood. Keeping things simple and clear and acting with integrity.

Collaborative

Bringing expertise and passion to collaborate as one team and go that extra mile.

Arqiva never underestimates the contribution its people make to its business and its customers' businesses. That's why the values guiding how its people work were defined by its employees. Values 'champions' from across the company led workshops with their colleagues to ensure everyone had the opportunity to contribute to the decision-making process.

The Group believes it has a role to play in shaping its dynamic industry. It actively engages with government, trade associations and other industry players as it knows that to keep its customers connected it must continually work to identify and develop the ideas that will enable society's wireless digital future.

Corporate Responsibility is part of our DNA, weaved in to every aspect of our activities.

Charity

Arqiva continued supporting Cancer Research UK (CRUK) as our recognised national corporate charity through the year. Activities are organised by Charity Champions across our sites with colleagues asked to get involved in a number of ways:

1. Participate in an Arqiva-organised event.
2. Matched funding if they participate in any CRUK event
3. Taking on a personal challenge

We have raised over £35,000 so far for Cancer Research UK through a combination of organised events and

encouraging colleagues to donate unwanted items to their local CRUK shop. Our partnership with CRUK extends beyond fundraising – it's also about ensuring our colleagues are equipped with the support they may need should they, or their family, be affected by cancer.

Our major corporate sites also provide support to a range of chosen charities in their local communities. These include organisations supporting adults with learning difficulties, homeless people, veterans and local food banks.

We also understand that supporting a charity can be a very personal decision, so our match funding scheme enables

colleagues to fundraise for their chosen local and national charities, from Diabetes UK and the NSPCC to local community projects and children's clubs and sports teams. Our colleagues are also able to provide support to a charity of their choosing through the 'Give As You Earn' scheme, working in partnership with the Charities Aid Foundation, for which we earned a Bronze Award in 2020. This allows colleagues to get tax relief on donations and the amount provided to charities through this scheme has doubled over the last three years to over £100,000.

People – living our purpose

Our ambition is to create a workplace where people feel energised, respected and heard with pride in the work we do. It is a corporate imperative that we encourage responsible behaviour and create the right culture for our colleagues to thrive.

Valuing diversity and being inclusive is key. Our diversity and inclusion programme ensures that we are continually focussed on actively identifying and putting in place actions that will take us forwards. We have launched a number of training courses and learning materials on diversity and inclusion, such as unconscious bias e-learning, aimed at raising our self-awareness on assumptions and conclusions we can all be guilty of jumping to, without knowing.

Our Diversity Ambassadors aim to help build a safe and inclusive culture where individuality is celebrated. These ambassadors have initiated and driven further groups within Arqiva such as the Working Families Network, providing support and advice for colleagues with additional family commitments.

Arqiva is connected with universities and schools to invest in the future of Science, Technology, Engineering and Maths (STEM). The Group has active intern, apprentice and graduate schemes and STEM ambassadors who support local schools and encourage visits from schools to Arqiva's main sites to stimulate their interest in STEM subjects as a key step to their future career. Some of our female colleagues have in particular taken active roles in STEM projects within and outside of Arqiva with the aim to encourage and promote better diversity within the industry as a whole.

Wellbeing

The Group has an ongoing commitment to the health and emotional wellbeing of our people and aim to create an environment whereby colleagues can look after their personal wellbeing both in and out of the workplace.

Arqiva has an annual event for employees focussing on both organisational and personal resilience,

OR Week, which includes many wellbeing sessions and training courses. We also have a fast-growing network of mental health first-aiders, who are equipped to listen non-judgementally, reassure and respond to colleagues, even in a crisis.

This activity is supplemented by further focussed activity aligned with national weeks around mental health or wellness. As well as specific wellbeing activities, our colleagues have access to a wealth of support through our Employee Assistance Programme and our partnership with Cancer Research UK.

Health and safety

Safety of individuals on our sites is of utmost importance. 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 robust integrated management system that is certified to ISO14001, ISO45001, ISO9001 and ISO27001 as well as offering training programmes covering specific skills and general awareness and run our own accredited IOSH Working Safely training scheme for our engineers. As a mark of our commitment to leading the industry in this area, Arqiva Health and Safety colleagues have been driving forces in the continual development of MATS, the Mast and Tower Safety Group.

Environment

We are also aware of the impact our activities and our infrastructure may have on local communities. We always strive to minimise the impact we make on sites across the country, especially at remote locations with protected habitats and wildlife; and we work closely with planning authorities and local communities to find the best acceptable solution for locations of communications masts and other infrastructure essential to keeping both rural and urban communities connected.

Environment

Given the nature of the Group's activities, Energy consumption is a key

area of interest both economically and environmentally. Arqiva's energy policy reflects the company's commitments to improving energy efficiency by:

- ▶ Reducing energy consumption;
- ▶ Investing in energy efficient technology; and
- ▶ Monitoring carbon emissions.

The Group is always looking at new and innovative ways of driving down its carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. Additionally, it investigates how emerging technologies and ingenious ways of working can help it and its customers become more environmentally friendly.

See page 58 in Directors report for details on our annual emissions.

Waste Management

During 2020, the Group has continued our campaign to reduce reliance on single-use plastics with no single use plastic hot drinks cups or plastic water cups available on our sites.

The nature of our business means that we also have certain responsibilities peculiar to our industry. For example, as new technologies emerge and legacy equipment is replaced we look for the most environmentally-friendly ways to dispose of redundant hardware. We also consider the environmental risk of every investment made.

Information security

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

Arqiva is ISO27001 certified in relation to its Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its robustness of security controls and compliance with this internationally recognised standard. Through independent review

Corporate responsibility

and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

Additionally, Arqiva has maintained its Cyber Security Essentials accreditation. This is a government backed, industry supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since November 2016 and recertifies annually. Moving forward, Arqiva is working to align its Business continuity and Disaster recovery plans to ISO22301 certification.

Employees

The average number of persons employed by the Group during the year was 1,864 (2019: 2,012). 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. Like many engineering-based businesses we recognise that Arqiva has a higher proportion of men than women but we are working to address this and are working with the Employers Network for Equality and Inclusion through our diversity and inclusion programme.

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 on-going basis.

The Arqiva Employee Board ('AEB') has continued throughout the year. The AEB is a democratically elected Board that acts as a voice for employees across Arqiva and provide a clear and direct link between the Group's employees and Senior Executive Management. The AEB continues to meet 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 Senior Executive Management) also interacts with representatives of 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 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 information.

Significant emphasis is placed on employee communication. The Group intranet 'The Hub' makes information

available to employees on all matters including company performance, growth, and issues affecting the industry. The embedded values "ingenious, straightforward, and collaborative – Always", continue to form the fundamental basis of all Arqiva business conduct and communication. Arqiva's monthly employee e-magazine – 'Stay Connected' brings together recent news and events as well as the most important things employees need to know for the month ahead.

The Group wants all its employees to benefit from its success and growth as a business. The 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 the values. The scheme takes into account the targets that have been set by the Group. The Group must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the financial KPIs of EBITDA and operating cash performance. The bonus payment for the 2020 financial year will be made in September 2020. In addition, certain members of senior executive management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the long-term incentive plan period. As with the annual bonus scheme, the Group must

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

	Female Number / %	Male Number / %
Board of Directors	1 / 8 %	12 / 92 %
Senior Executive Management	1 / 17 %	5 / 83 %
Group Employees	447 / 24 %	1,417 / 76 %

achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plans which is then calculated based upon the 3-year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash-based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

Gender Pay Gap

The full annual gender pay gap report is available on the Company website. The latest report has shown an increase in our gender pay gap for the reporting period and includes details on why we have a pay gap, the reasons for the increase in the year and the actions we are taking to address the issue.

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in supply chains. The full statement is included on page 43 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

In conjunction with the UK Bribery Act 2010, the Group has adopted a Code of Conduct for employees, which incorporates all its anti-corruption policies and procedures. The policies apply to all Arqiva employees employed on both a permanent and temporary basis. The Code of Conduct also sets out the policies and procedures on the giving and receiving of gifts and hospitality.

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which it operates. The total contribution to UK tax receipts including business rates and NI paid by both Arqiva and employees, totalled £92.6m for the financial year (2019: £83.2m).

The Arqiva Group is a primarily UK based infrastructure group; while there are some trading operations outside of the UK these generate less than 1% of operating profit 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 21 September 2020 and signed on its behalf by:



Frank Dangeard
21 September 2020

Corporate responsibility

A. Corporate Governance Statement

For the FY20 accounting year, the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), companies that meet certain thresholds are required to report on the directors' application of their section 172 duty to

promote the success of the Company, as set out in the Companies Act 2006, along with stakeholder and employee engagement.

B. Section 172 Statement

The Companies Act 2006 sets out a set of general duties owed by directors to a company, including a list of matters to

which the directors must have regard, which are set out in s.172(1)(a) to (f). During FY20, in continuing to exercise their duties the directors have had regard to these matters, as well as other factors, in considering proposals from the Management Board and continuing to govern the company on behalf of its shareholders.

Section 172 factor	Key examples	Page
Consequence of any decision in the long term	Strategic Overview (including 2020 progress)	17-18
Interests of employees	Employee Engagement, below People – living our purpose Employees	36 (Corporate Responsibility) 37
Fostering business relationships with suppliers, customers and others	Stakeholder Engagement, below Business Update	19-22
Impact of operations on the community and the environment	Environment Energy Consumption and Waste Management Charity	36 36 35
Maintaining high standard of business conduct	Governance, pages Health & Safety Modern Slavery Act, Anti-Bribery & Corruption	46-49, 55-57 36 38
Acting fairly between members	Stakeholder Engagement, below Accountability	62

C. Stakeholder Engagement Statement

Throughout the year, the Board has continued to ensure engagement with

relevant stakeholders both in day to day business, and also as part of key developments this year such as Covid-19 and the sale of the group's Telecoms

business. Examples of the way in which this engagement has taken place are set out in the table below.

Section 172 factor	Key examples
Employees	Please see our Employee Engagement Statement below and Corporate Responsibility statement (pages 36-38) for full details.
Regulatory Bodies	We have good relationships with representative in all relevant regulatory bodies and engage regularly with Ofcom; the Department for Culture, Media and Sport (DCMS); the Department for Business Enterprise and Industrial Strategy (BEIS), as well as monitoring relevant developments with Ofwat and Ofgem as regulators of customers of our Utilities business. We participate in consultations and consult with government departments and regulators when setting strategy and making decisions that affect industry generally; during financial year 2020 this has included working closely with regulators during Covid-19, and in relation to the sale of our Telecoms business.
Investors	Quarterly reports to credit investors are published on our website and available to all; an annual credit investor call is held, in which we review our annual results and invite questions from investors. We worked closely with our investors in relation to the sale of our Telecoms business to obtain approval in advance and secure their ongoing positions.
Customers	Our relationships with our customers are very important to us, and we maintain regular contact through account managers; Management Board members; and where appropriate our Chairman. As part of Covid-19 we have sought to understand and support customers who have been affected and ensure continued delivery of services.
Suppliers	Our Procurement team oversees supplier relationship management, with a category management structure so that employees have relevant expertise for each supplier. We work closely to ensure positive relationships, seeking to agree fair terms and conditions and ensure timely payment, through adherence to and reporting on the Prompt Payment Code.
Shareholders	Shareholder Representatives on the Board report back to shareholders on the business and take their interests into account when making decisions, while operating in accordance with their Companies Act duties. The group's corporate governance specifies a number of categories of decision which are Shareholder Reserved Matters, ensuring that key decisions affecting shareholders are subject to necessary resolutions of all shareholders. This governance was followed when agreeing and implementing the sale of the Telecoms business and associated investment decisions.
Shareholders	As part of our infrastructure projects, we engage with planning authorities and local communities to foster positive relationships. Arqiva's charitable engagement also seeks to support communities local to the areas in which it operates.

Corporate responsibility

D. Employee Engagement Statement

1. Information

Regular all company updates are provided to all employees on Arqiva's Hub (intranet) and email updates; Management Roadshows are also conducted throughout the year on key corporate sites to update employees on performance, strategy and other key developments. When in-person Management Roadshows have not been possible, company-wide live broadcasts have been given, with opportunities for employees to ask questions in real-time.

2. Consultation

Arqiva has active union representations through the Broadcasting Entertainment Communications and Theatre Union (BECTU); key strategic decisions which may affect employees (including business change; pay; and terms and conditions) are discussed with BECTU representatives in advance of action being taken. Similar engagement also takes place with the Arqiva Employee Board, which is elected by employees, and their feedback and views are taken into account when making decisions affecting the workforce, [for example in setting timescales and the content of communications].

3. Involvement

Employees participate in annual bonus schemes which are based upon performance of the business throughout the year, encouraging employees to contribute to the success of the business. The group's values of Ingenious and Collaborative encourage new ideas and fostering strong relationships across the organisation, supporting overall performance of the business.

4. Common Awareness

Financial and economic factors affecting the business are described to employees throughout the year during Management Roadshows/ broadcasts; regular "Stay Connected" emails with business updates and through the Arqiva Hub.



Modern Slavery Act: Slavery and Human Trafficking Statement

Overarching Statement

This statement sets out the steps we are implementing to combat slavery and human trafficking. We remain committed to further improving our practices in the future to combat slavery and human trafficking.

Organisation's Structure

We are a communications infrastructure and media services provider, operating at the heart of the broadcast, satellite and mobile communications markets. We're at the forefront of network solutions and services in the digital world. We provide much of the infrastructure behind television, radio and satellite communications in the UK and have a presence in Ireland, mainland Europe, Asia and the USA.

During the financial year ended 30 June 2020, Arqiva Limited, Arqiva Services Limited, and their respective subsidiaries, and Arqiva Smart Metering Limited were part of the Arqiva group with head offices in the UK and over 1,700 employees. We operate in the UK, Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited (including their respective subsidiaries) and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36 million.

Our Supply Chains

The Arqiva Supply Chain works in partnership with our suppliers, ensuring we meet our internal customer needs. The Arqiva values of Ingenious, Straightforward and Collaborative are core to how we interact with suppliers whether a high volume preferred supplier or one-time only supplier.

We have an exceptionally diverse range of services and goods that are required by the business and sourced by our Procurement team including:

- ▶ Transmission – Arqiva has numerous transmission sites throughout the UK;
- ▶ Construction – Arqiva undertakes a broad range of construction activities from small changes to the construction of new transmission towers;
- ▶ Maintenance & Repairs;
- ▶ IT software and managed services;
- ▶ Satellite Capacity; and
- ▶ Corporate facilities (encompassing stationery, recruitment, legal and professional fees).

Our Policies on Slavery and Human Trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Suppliers are required to comply with our Supplier Code of Conduct, which reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due Diligence Processes for Slavery and Human Trafficking

As part of our initiative to identify and mitigate risk we:

- ▶ aim to identify and assess potential risk areas in our own business and our supply chains;
- ▶ try to mitigate the risk of slavery and human trafficking occurring in our own business and our supply chains;
- ▶ monitor potential risk areas in our own business and our supply chains;
- ▶ where possible we build long standing relationships with suppliers and make clear our expectations of their business behaviour;
- ▶ expect our suppliers to comply with the Modern Slavery Act 2015 and have their own suitable anti-slavery and human trafficking policies and processes; and
- ▶ encourage the reporting of concerns and support the protection of whistle blowers.

Modern Slavery Act: Slavery and Human Trafficking Statement

Supplier Adherence to our Values

We have zero tolerance to slavery and human trafficking. We expect all those in our supply chain to comply with those values and our Supplier Code of Conduct.

Our Procurement team, reporting in to our CFO, is responsible for promoting and ensuring compliance with the Modern Slavery Act 2015 as part of our supplier relationships.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, all directors and members of the Management Board have been briefed on the subject and we continue to assess training needs for all relevant members of our staff.

Our Effectiveness in combating Slavery and Human Trafficking

We will use the following key performance indicators (KPIs) to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business or supply chains:

- ▶ use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct;
- ▶ use of our payroll systems to ensure that purchase orders and payments to suppliers are limited to those who comply with our standards.

Steps taken during the financial year to 30 June 2020

In the past financial year, we have taken the following steps to ensure that slavery and human trafficking is not taking place in our supply chains, and in any part of our own business:

- a) We have continued to progress a re-qualification process for all of our suppliers, using our e-procurement system. The re-qualification process includes revised background checks and either (a) confirmation of acceptance of the Arqiva Supplier Code of Conduct (which covers modern slavery and human trafficking); or (b) demonstration that the Supplier has its own equivalent policies covering modern slavery and human trafficking. In addition, all incoming suppliers now go through the e-procurement system requiring these confirmations at the outset of the contractual relationship. Purchase Orders cannot be placed with new suppliers before the confirmation has been given.
- b) During FY 2020, we have completed our qualification process on existing suppliers so that all Arqiva suppliers have now confirmed compliance with the Modern Slavery Act via the Procurement Qualification Process, and business controls in place to ensure that purchase orders can only be raised upon within our finance systems with suppliers who are qualified.

- c) The migration to a new version of financial systems has presented an opportunity to further reduce our number of trading suppliers, and we are working to a pool of approximately 600 suppliers on go-live of the upgraded systems (this figure has reduced from >2,300 in FY18).

Statement

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Services Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2020.

Note: The signed statement is available on the company website at www.arqiva.com

Governance

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Board of Directors and Senior Executive Management

Ownership

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%), IFM

Global Infrastructure Fund (14.8%) and the Motor Trades Association of Australia (5.2%). There is no ultimate controlling party of the Company, as defined by IAS 24 'Related parties'.

There are two investor companies which are related parties with the Group, in accordance with IAS 24, 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).

Board committee membership

- A Audit and Risk Committee
- G Governance and Nomination Committee
- R Remuneration Committee
- O Operational Resilience

 Committee Chair

Arqiva Board of Directors

The Group's Board of Directors is comprised of ten Directors representing our shareholder consortium as well as two members of the Executive Committee. The following Board members were in office during the year and up to the date of the signing of the annual report and financial statements:



Mike Parton, Chairman and Governance and Nomination Committee Chair

Mike has brought 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 where he became CEO in 2001 until 2006.

A  R

¹ See page 130 for the directors of Arqiva Group Limited, the Company, who held office during the year and up to the date of this report.

Arqiva Board of Directors (continued)



Paul Donovan, Chief Executive Officer
Paul was appointed as Chief Executive Officer in April 2020. Prior to this he acted as a non-executive director on the Arqiva Board.

Paul has over 20 years' experience in senior executive roles across the technology, media and telecommunications sectors. Between 2014 and 2016 Paul led the transformation of Europe's leading cinema operator, Odeon and UCI Cinemas Group, ahead of its successful sale to AMC Theatres. Paul's leadership led to innovations in pricing, digital marketing and

guest experience which laid the foundations for improvements in business performance and public perception.

Prior to this Paul was CEO of Irish Telecoms Group eir. His background also includes senior executive appointments with a number of significant global organisations including Vodafone, Cable & Wireless, One2One and Optus as well as senior commercial roles at BT, Apple Computers, Coca-Cola and Schweppes Beverages and Mars Inc.



Sean West, Chief Financial Officer
Sean was appointed as Chief Financial Officer in September 2019 having joined Arqiva in 2015 as Director of Treasury and Corporate Finance and appointed Interim Chief Financial Officer in May 2019.

Sean has a background in all areas of corporate finance and financing, and as Director of Treasury and Corporate Finance was responsible for all aspects of the Group's capital structure.

Prior to joining Arqiva, Sean held senior corporate finance and treasury positions at the Immediate Capital Group (ICG) and LandSec and brings a wealth of experience across a range of industries and financial markets.

Appointed by IFM Investors and Motor Trades Association of Australia (joint appointment)



Sally Davis, Director and Remuneration Committee Chair

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.

R

Appointed by Frequency Infrastructure Communications Assets Limited:



Mike Darcey, Director and Operational Resilience Chair

Mike has over 25 years' experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. He has also provided strategic advisory services to a range of clients in the media industry.

Mike has served or is currently serving on Boards including Dennis Publishing (UK) Ltd (Chairman), M247 (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand (Director). He is also Chairman of British Gymnastics and Senior Expert Advisor to MTM Consulting.

O G



Martin Healey, Director

Martin heads the Real Assets Strategy Group at Canada Pension Plan Investment Board. He is a member of CPPIB's global committee for equity investments into real estate, infrastructure and power & renewables, as well as real estate debt.

Since joining CPPIB, Martin has led the development of several new investment programs, making CPPIB's first real estate investments into a number of new countries and sectors. He founded the Private Real Estate Debt group in 2010.

Prior to joining CPPIB in 2005, Martin held transactional roles in the real estate investing, commercial lending and investment banking industries based in the UK, Canada and the United States.

A O



Neil King, Director

Neil runs the European infrastructure business at CPP Investment Board. He has over twenty-five years of experience in the infrastructure market, including ten years at 3i as a founding partner in its infrastructure investment business before joining CPPIB in 2015.

Neil is also a non-executive director at Interparking S.A., a European car parking business which is in CPPIB's infrastructure investment portfolio.

G R

Board of Directors and Senior Executive Management

Appointed by Frequency Infrastructure Communications Assets Limited: (continued)



Peter Adams, Director (alternate)
Peter is a Principal in the Infrastructure group at CPP Investment Board, based in London.

Prior to joining CPP Investment Board in September 2010, Peter was with the Boston Consulting Group, where he advised clients in the U.S., Canada and Europe on strategy and operations.

Appointed by Macquarie European Infrastructure Fund II:



Frank Dangeard, Director and Audit and Risk Committee Chair
In the telecom, media and technology sector, Frank has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. He served on the boards of SonaeCom and Orange, and was Deputy Chairman of Telenor. He is currently on the board of Symantec (US). In the financial sector, he was a Managing Director of SG Warburg and Chairman of SG Warburg France. He served on the boards of Crédit Agricole CIB and Home Credit. He is currently on the board of the RBS Group (UK), and Chairman of NatWest Markets (UK). Frank also held board positions at EDF, RPX and various listed and non-listed companies in Europe, the US, India and the Middle-East.

A O



Mark Braithwaite, Director
Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. 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. Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.

A G R

Appointed by IFM Investors:



Christian Seymour, Director
Christian is Head of Infrastructure at IFM Global Infrastructure Fund, 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.

A G R O



Max Fieguth, Director (alternate)
Max is responsible for asset management of existing investments for IFM Global Infrastructure Fund, as well as supporting the execution of infrastructure transactions. Prior to joining IFM Investors, Max worked as a Consultant in the Operations Practice at McKinsey and prior to that at Bechtel on a number of infrastructure projects. He holds a Masters in Mechanical Engineering from Imperial College London, an MBA from INSEAD and is a Chartered Engineer with the Institution of Mechanical Engineers in the UK.

Executive Committee

(also includes the Chief Executive Officer and the Chief Financial Officer on page 47)



Shuja Kahn, Chief Commercial Officer

- ▶ Joined **Arqiva** in January 2020 as Chief Operating Officer, moving to Chief Commercial Officer role in July 2020
- ▶ 20 years in leadership roles within telecoms, media and broadcasting, most recently Chief Commercial Officer at **Cable & Wireless**
- ▶ Other senior positions at **Liberty Global**



Vivian Leinster, Chief People Officer

- ▶ **Arqiva** since June 2020
- ▶ Extensive experience in people, organisation and cultural changes
- ▶ Previous positions including Chief People Officer at **MS Amlin** and **Bupa UK**



Jeremy Mavor, Executive Director, Corporate Affairs

- ▶ Appointed to the **Arqiva** Management Board in January 2018, having joined the Company in 2013
- ▶ Previously solicitor at **Allen & Overy**



Neil Taplin, Executive Director, Operations

- ▶ Appointed Director of People and Organisation in October 2018, previously Director of Operations in the Terrestrial broadcast business having been with **Arqiva** since 2015
- ▶ Senior operations roles at **Virgin Media**



Clive White, Chief Technology and Transformation Officer

- ▶ **Arqiva** since April 2018
- ▶ Previous transformation positions at **RSA**, **Lloyds Banking Group**, **Accenture**, **AT&T Global Network** and **BSkyB**



Alex Pannell, Executive Director, Commercial Broadcast and Utilities

- ▶ **Arqiva** since 2012, appointed to the Management Board in 2018 within Satellite and Media
- ▶ Previously Director in **BT Wholesale**
- ▶ Other previous positions at **Concert Communications**

Principal risks and uncertainties

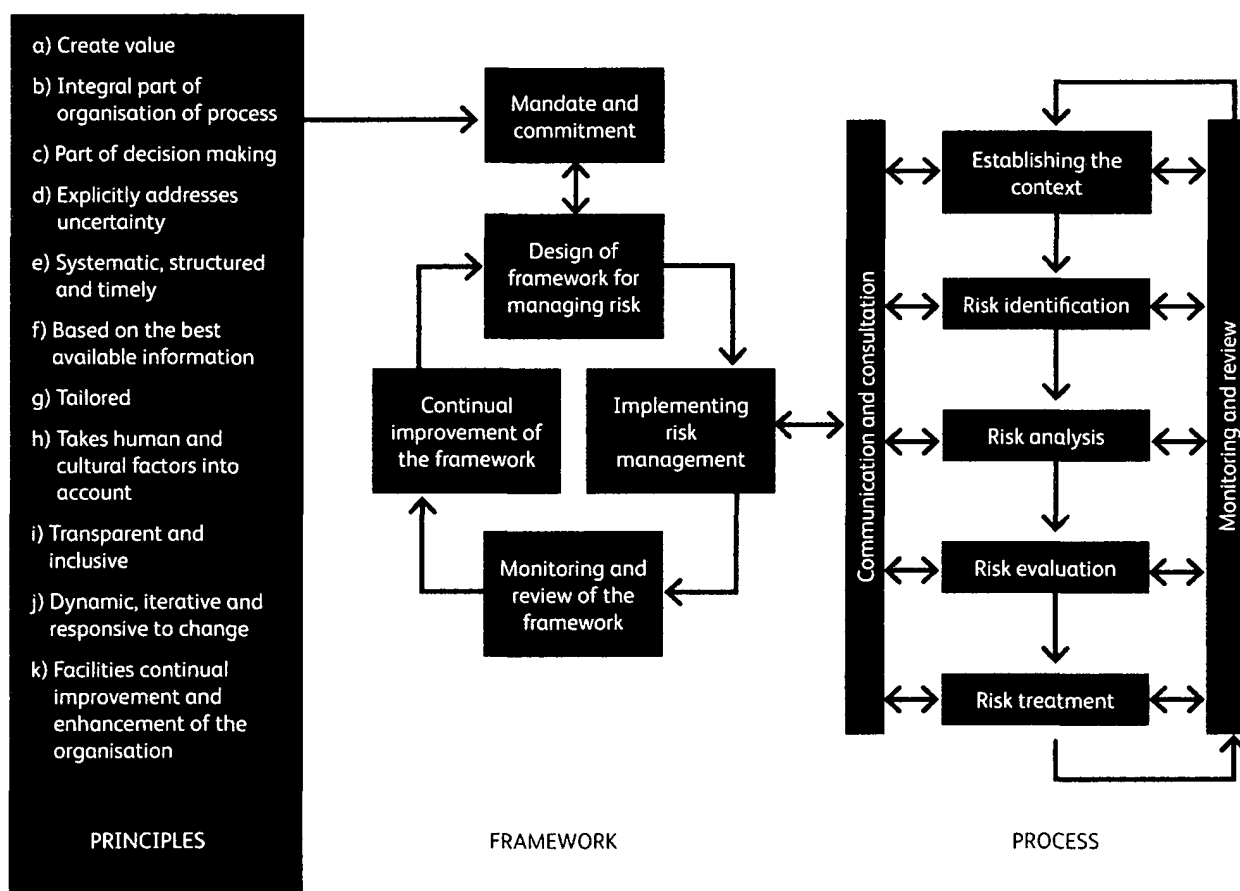
Arqiva's approach to risk management is as follows:

- ▶ Arqiva recognises that the effective management of risk is essential to achieve its business objectives.
- ▶ Arqiva adopts an Enterprise Risk Management ('ERM') approach, which is recognised as 'best practice' for top performing companies.
- ▶ Managing risk is a core responsibility of management at all levels and is a key component of governance and compliance.

- ▶ Arqiva aims to embed risk management principles into the culture of the organisation.

Enterprise wide management of risk is important for Arqiva to meet its corporate objectives and for it to protect 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 approach to managing its risk profile.

Arqiva has adopted ISO31000 as its Enterprise Risk Management standard and ISO Guide 73 terminology. Arqiva has also adopted the ISO 27000 series for Information Security including ISO/IEC 27005 for Security Risk Management which operates within the Arqiva ERM Framework. Our statements and principles are linked to our process through our risk management framework.



The Executive Committee have responsibility for maintaining and updating their line of business risk register, which includes utilising the standardised approach to risk assessment and risk monitoring. The Group's centralised Audit and Risk function provides training and support to ensure risks are captured

effectively and on a timely basis. Risks are formally discussed with the Chief Executive Officer as part of the existing monthly business performance reviews highlighting the significance of the link between performance and effective risk management. The Audit and Risk function works with the Chief Executive Officer to review and consolidate the

most significant business risks into a corporate risk register for scrutiny at quarterly Senior Executive Management and Audit Committee meetings. The Senior Executive Management takes recommendations for ensuring the risk management framework remains effective going forward.



Principal risks and uncertainties

Management have identified the following risks as the most significant business risks affecting the Group, presented together with identified mitigating actions.

*Business units have been abbreviated as follows: Media Networks ('MN'), M2M

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Demand, Health and Financial	All	Risk to demand and operational capabilities as a result of Covid-19 public health pandemic.	Arqiva maintains regular dialogue with customers and other stakeholders with regard to impact of the pandemic. Management continue to review the working capital and liquidity facilities available to the Group. Arqiva maintains an Operational Resilience team who monitor latest restrictions and guidelines from the government. Business Continuity Plans are established and maintained for each key site and business area.	Financial liquidity is continually monitored and reviewed with regard to available facilities for the Group and increased working capital bank facilities during the year. Business Continuity Plans have been enacted and Arqiva has implemented changes to sites to conform sites to government Covid secure guidelines and alternative working arrangements and technology to support this to enable continued provisions of the Group's services and safe working conditions for employees.
Reputational	All	Bad publicity damages Arqiva's reputation and customer and business partner confidence and its ability to do business as a result of: ▶ A major event or incident impacting our services; ▶ Untimely delivery on major projects; ▶ Repeated unexpected service outages; ▶ Security breach or cyber attack on networks; or ▶ Major network or equipment failure or obsolescence or inability to configure to comply with information security standards.	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. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. 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. Cyber attacks and trends in this area are continually monitored. The Group continues to invest in its infrastructure.	Arqiva has continued to achieve its target result for 'network availability' (see page 30) and has continued to meet its contractual milestones on its major contractual programmes (see page 30). The Group maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees. Business Continuity Working Group continues to meet on a monthly basis and will test and roll out the Disaster Recovery plan. Continued capital expenditure in the year to improve infrastructure. Continuing to implement the transformation programme across the business including IT systems to ensure they are up to date and supported through support of Transformation board and regular meetings with the Executive Committee
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering. Risk of mental health issues as a result of significant organisational changes.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety and site security.	During the year, Arqiva maintained its compliance with OHSAS18001 regarding safety management. Mental health strategy continues to be of focus including improving general awareness amongst employees with mental health awareness week providing seminars and training and a wellbeing programme. A team of mental health first aiders have been trained and are available across the organisation.

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Technological	MN	Developments in alternative broadcast technologies, such as internet connected TV, which competes against the Group's DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business. Technical refresh in 'machine-to-machine' markets impacting potential obsolescence of legacy systems.	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, Arqiva 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 involvement in Freeview Play. Arqiva has rolled out national and commercial local DAB in line with its 'New Radio Agreement' with the BBC and government targets which helps to ensure it remains at the forefront of this future technological change.	Arqiva remains in dialogue with relevant stakeholders for the review into timeframes for full analogue radio switchover. Arqiva has completed upgrades to the DAB network to remain in a strong position to support a future switch over. The business model of Arqiva is undergoing significant review to ensure long term strategy and the core priorities of the business are aligned to the core Broadcast and utilities markets. The alignment of the Terrestrial Broadcast and Satellite and Media business units has been established to be able to bring a more streamlined approach to changes in the market with regards to new developments in content delivery.
Political	All	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes and licensing. The uncertainty over a deal for Britain's exit from the European Union heightens the uncertainty over future policy and economic conditions and pressure on future refinancing requirements.	Arqiva maintains regular dialogue with its stakeholders to ensure the delivery of its programmes are efficient, timely and to specification. Where specification changes occur Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of those costs through mechanisms in its contracts. Arqiva's assets and operations remain predominantly in the UK and therefore its business has minimal exposure to the changing relationships with international markets. Additionally we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope change requests on its smart energy metering programme with its customer demonstrating the customer's continued focus on network roll out. Arqiva has continued to achieve its target result for 'network availability' (see page 30) and has continued to meet its contractual milestones on its major contractual programmes (see page 30). Arqiva has continued engagement with Ofcom regarding licensing arrangements. Debt markets have continued to be monitored for accessibility and open dialogue maintained with ratings agencies. Evolving commercial negotiations are closely monitored.
Operational	All	Information, networks and systems, or communications infrastructure may be subjected to cyber security threats leading to a loss or corruption of data, penalties and impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	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. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Group's approach to disaster recovery and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass its quarterly security reviews and has consequently retained its ISO certification. Communication and training have been maintained with employees to ensure awareness of potential cyber security threats. Site inspections are completed with a focus on older sites and structural maintenance plans have been implemented. Business Continuity Plans have been enacted through the Covid-19 pandemic with keyworkers on sites able to continue seamless delivery of our operational services whilst adhering to social distancing guidelines.

Principal risks and uncertainties

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Operational (continued)	All	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of its major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customers to ensure that these requirements are sufficiently available.	Arqiva has continued to meet its contractual milestones on its major contractual programmes (see page 30).
	All	Customer relationships, operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of its people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for its leadership team. Additionally the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention. Retention plans have continued to be implemented for key individuals particularly through significant organisational changes.
Financial	Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 52.			

Directors' report

The Directors of Arqiva Group Limited ('AGL'), 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 2020.

The Company is a holding company with an investment in a group of operating

companies, financing companies and other holding companies.

The Directors' report for the Company is set out on page 134.

Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 50). 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 financing risk, purchase 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 these risks are managed:

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses derivative contracts 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 and compliance with debt covenants. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate swaps. The Group has, however, elected not to apply hedge accounting meaning gains or losses are recognised through the income statement as fair values fluctuate (2020: £121.7m gains; 2019: £13.7m losses). 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.
Financing risk	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. Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms	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 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. With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Group is exposed to credit risk on customer receivables. The Group is exposed to counterparty risks in its financing operations.	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 uncollectible debts. 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 ratings 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.

Directors' report

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth and funding for the Defined Benefit pension scheme.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2020 the Group had £110.1m cash available. In addition, the Group has £250.0m of liquidity facilities available to cover senior interest payments if required and a £30.0m facility to support 'Comms Hub Receivables Purchasing'. The Board consider the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Purchase 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. 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 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 cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated private placement notes. Details of the cross-currency swaps are provided in note 26.

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 50).

Audit and Risk Committee

The Audit and Risk Committee is chaired by Frank Dangeard, and includes representation from the Board of Directors. The Audit and Risk Committee 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 auditors, 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 finding 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 business as required.

Internal audit

The Audit and Risk 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.

External audit

The Audit and Risk 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 auditors' independence and objectivity taking into account the relationship with the auditors as a whole, including the provision of any non-audit services.

PwC were re-appointed as external auditor in 2016 following a competitive

tender process.

The auditors have provided certain non-audit services, principally in relation to assurance services for financing transactions and certain non-audit assurance. The Audit and Risk Committee considers the acceptability of all non-audit services with the auditors in advance of commencement of work to confirm acceptability and ensures that appropriate safeguards of audit independence are established and applied, such as partner rotation.

Remuneration Committee

The Remuneration Committee, chaired by Sally Davis, is established to make recommendations to the Board regarding executive remuneration, including pension rights, and to recommend and monitor the level and structure of remuneration for each member of the Senior Executive Management. Additional oversight is extended to setting and monitoring reward and incentive policies, including the group-wide annual bonus scheme, long-term incentive scheme, and reviewing and making recommendations in relation to wider reward policies.

Governance and Nomination Committee

The Nomination Committee, chaired by Mike Parton, is established to give oversight to the size, structure and composition (including skills, experience, independence, knowledge and diversity) of the Board to ensure that the continued leadership ability is sufficient to allow the business to compete effectively in the market. This also includes oversight of the succession planning for directors (and other senior management where appropriate).

Operational Resilience Committee

The Operational Resilience Committee, chaired by Mike Darcey, has oversight of the adequacy and effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health and environment ('SHE') matters affecting the activities of the Group). *This includes consideration and risk management of areas of significant and individual cyber security, physical security, business continuity and SHE risk.*

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 37.

Political donations

No political donations were made during the year (2019: none).

Charitable donations

The Group has made £0.1m (2019: £0.1m) charitable donations in the year.

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. The research costs expensed in the year were £5.2m (2019: £6.1m). 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 £4.1m (2019: £2.9m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within property, plant and equipment. The Group's capital expenditure in the year was £247.0m (2019: £134.3m) and includes capitalised labour of £39.3m (2019: £42.1m). Other development costs would be capitalised within intangible assets. In the year, new development costs capitalised total £2.7m (2019: £2.1m), with amortisation of £1.6m (2019: £3.5m) charged against such capitalised development costs.

Overseas branches

The Group has trading branches based in the Isle of Man, the Channel Islands and France.

Directors' report

Streamlined Energy and Carbon Reporting (SECR)

Arqiva procure energy direct from the supplier but also in some cases through a recharge from a superior landlord where transmission equipment is managed on a third-party site.

Table 1 – Arqiva Energy Procurement

Procurement Source	Number of Kilowatt hours (KW/h)	Energy Tariff
Supplier	272,671,472	Green (REGO certificate supported)
Third Party Site Owner	2,092,795	Unknown
Total Energy Procured	274,764,267	

All energy Arqiva procure direct from the energy supplier is through a green tariff and supported by applicable REGO (Renewable Energy Guarantees of Origin) certificate to allow full transparency of source generation.

Arqiva recharge a significant proportion of the energy procured back to our customers, this breakdown is illustrated in the table below

Table 2 – Consumption breakdown of Arqiva procured energy

	Energy Tariff
Arqiva	4,214,700
Arqiva Customer*	270,549,522

*Arqiva customer is a satellite, cellular or broadcast network operator utilising infrastructure owned or managed by Arqiva.

Arqiva energy consumption is an estimated figure based on the calculation of occupied floor space within Corporate and technical sites for domestic usage only. An average (150) kilo watt hour figure per metre squared was used based on guidance provided in The non-domestic National Energy Efficiency Data Framework (ND-NEED) produced by Department of Energy and Climate Change.

Table 3 Arqiva total energy consumption and equivalent greenhouse gas emission

Energy Use	Kilowatt Hours (KW/h)	Tonnes of Carbon Dioxide Equivalent (t/CO2e)
Electricity	4,214,700	0
Gas	2,354,741	433
Transport*	7,141,354	1,774
Total	13,710,795	2,207

*includes internal fleet, grey and hire car use

Conversion factors used to calculate carbon emissions have been referenced from the UK government greenhouse gas conversion factors for company reporting 2020. Specifically referencing "medium car (unknown fuel source)" for both conversion of data from miles travelled to Kilowatt hours and miles travelled to kilogrammes of carbon dioxide equivalent.

Section 2 - Intensity Ratio

The intensity ratio has been calculated using the overall EBITA figure for the reporting year divided by the total tonnes of carbon dioxide equivalent produced.

For every £237,200 of generated earnings before interest, tax, depreciation and amortisation (EBITDA), 1 ton of carbon dioxide equivalent (CO2/e) is produced by Arqiva. This will enable year on year comparisons to be made in the context of business growth.

Section 3 - Energy Efficiency Action taken

To reduce business mileage a review of maintenance regimes was undertaken alongside the introduction of a new technology that reduced the number annual inspections required and equipment that collected data remotely rather than individual needing to attend site.

These initiatives led to an annual reduction of an estimated 187,700 miles equating to 53.1 tonnes of Carbon Dioxide

Section 4 - Methodology Used

Our Carbon accounting methodology is based on the following guidance;

- ▶ Greenhouse Gas Protocol Corporate Standard – World Resources Institute
- ▶ GHG Protocol Scope two Guidance – World Resources Institute
- ▶ Environmental reporting Guidelines 2019 (including streamlined energy and carbon reporting guidance) March 2019

Wates Corporate Governance Statement

For the year ended 30 June 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, Arqiva has applied the Wates Corporate Governance Principles for Large Private Companies (as published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website).

These new corporate governance reporting requirements apply to company reporting for financial years starting on or after 1 January 2019.

Companies are able to adopt the Wates principles as an appropriate framework when making a disclosure regarding corporate governance arrangements.

We have adopted the disclosure in our 2020 Report and Accounts and we set out below how the principles have been applied over the past year.

Principle One - Purpose and Leadership

An effective board promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Purpose/ focus and activities during the year

Arqiva's corporate purpose is to connect people for an enriched and safer life. The focus of the Board and Executive Committee during the year has been to lead Arqiva through changes in the markets in which it operates, consolidating its position in core areas and divesting its Telecoms

business, and enabling a reduction of external debt to allow Arqiva to focus on its core broadcast, media networks and M2M businesses. In addition, since February 2020, a significant proportion of the Board and Executive Committee's time has been spent on the business's response to the Covid-19 pandemic. In responding to the challenges faced by the television and radio industries,

and working to ensure that individuals were continually connected to news and information through the ongoing transmission of television and radio, the Board was able to further the corporate purpose of connecting people to support an enriched and safer life during the pandemic. The following items were the key areas of focus during the year:

Item	Summary
Headline Strategy	The Board has overseen the divestment of the Telecoms business to Cellnex during the course of the year with the purpose of consolidating its position in its principal broadcast and media networks operations, as well as focusing on the group's M2M platform, including in the Utilities sector.
Capital structure	Alongside the divestment of the Telecoms business, the Board has overseen a restructuring of its capital structure through the repayment of a significant portion of its external debt and also the rationalisation of its derivatives positions associated with that debt.
Contract bids and tenders	The Board oversaw the successful bid for the M2M Anglian Water business as part of the strategy in the water sector. The Anglian Water contract was signed in June 2020.
Operational performance updates	The operational performance of the business has been closely monitored by the Board as part of the regular Board meeting agendas. In particular, the impact of Covid 19 on the performance of the business since March 2020 has been considered on a more frequent basis.
Governance	CEO transition was coordinated by the Board through the year, resulting in the appointment of Paul Donovan as CEO in April 2020. In addition, a number of other appointments have been made to the group's executive committee. Since the new CEO appointment, and in the run up to the divestment of the Telecoms business, the Board has overseen a process to move the group to an integrated operating model which will better serve the group's simplified business and its customers.
Covid 19	The principal aims of the Board in its response to the Covid 19 pandemic were to ensure the safety of its employees and assist individuals with the transfer to the lockdown and 'working from home' realities, and also maintain operational capability and delivery to the group's customers. In addition, the Board oversaw the group's engagement with its most affected and key customers.
Transformation	The Board has continued to oversee the programme to upgrade the group's IT, systems and processes to enhance operational capability and bring efficiencies to the group's operations.

Directors' report

Values and culture

Arqiva's core values, developed by its employees, are Ingenious, Straightforward and Collaborative. These values are embedded throughout the organisation, and adherence to them forms part of employees' performance reviews and reward structure. Independent surveys of both employee and customer engagement are undertaken. Engagement with BECTU is described under Principle 6 (Stakeholders) below. The Group's People & Culture team monitors absenteeism rates and processes are also in place to encourage and monitor exit interviews. These form part of matters reported upon to the Operational Resilience Committee, which reports in to the Board.

Principle Two -

Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Chair

The Group's corporate governance structure creates a clear separation between the role of the Chair and that of the Chief Executive Officer.

The Chair (who is independent of the Group's Shareholders) is a highly experienced business executive having held many senior executive roles in the technology and telecoms sectors. The Chair has actively encouraged open debate and discussion in the appropriate forums including main Board meetings which are scheduled to take place at least six times per year, and also at Board sub-committee meetings (those committees being the Audit & Risk Committee, Nominations & Governance Committee, Operational Resilience Committee and the Remuneration Committee).

Balance and diversity

As outlined under "Size and Structure" below, action had been taken previously to strengthen the Board by appointing three industry non-executive directors and that external industry experience has been invaluable in helping to achieve more effective decision-making in relation to a number of key matters brought before the Board. The Group operates in a number of diverse and complex markets which require the Board to have a detailed understanding of the relevant sector in order to arrive at informed decisions.

Arqiva is actively working with the Employers network for Equality and Inclusion in relation to diversity and inclusion. The Group recognises that there is further work to do in this area and continues to promote relevant

initiatives. Page 37 of the Annual Report provides a breakdown of the gender of Directors and employees.

Size and Structure

The size and structure of the Board remains under periodic review so that it is best organised to meet the needs and challenges of the Group. In terms of Board size, a balance has been struck between ensuring Shareholders are adequately represented via their nominated Directors but also identifying directors with extensive relevant industry experience to be appointed together with the Group's CEO and CFO (see pages 46-48 of the Annual Report for full details of the composition of the Board of Directors and Senior Executive Management).

We acknowledge that there is a relative lack of diversity on the Board. As part of a review of and new appointments to the Executive and Senior Leadership groups, improvements have been made to broaden diversity and this will continue throughout the coming year. Of the three directors that served as Independent Non-Executive Directors during FY20, Frank Dangeard remained an Independent Director as at 30 June 2020, while Mike Darcey and Sally Davis became Shareholder directors. Another non-executive director, Paul Donovan, moved to the position of Chief Executive Officer in April 2020. This 'internal' appointment to the CEO position was made following a comprehensive external search exercise.

Effectiveness

As outlined under "Size and Structure" above, action has been taken to make the Board more effective via the appointment of further directors with relevant industry experience.

The Group undertook an extensive Board effectiveness/evaluation exercise in Spring 2018, supported by an external consultant, and followed this up with an internal effectiveness/evaluation in Spring 2019. The Board intends to conduct a further exercise/survey of its directors in Autumn 2020.

Principle Three - Director Responsibilities

A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.

The Board has a programme of six principal meetings every year, with additional meetings arranged for key projects, strategic matters or circumstances such as Covid-19, as may be required.

Accountability

Decisions which are within the remit of the Board or Shareholders are set out in a Shareholders' Agreement (as Board Reserved Matters and Shareholder Reserved Matters). There is a comprehensive Delegation of Authority policy which sets out the responsibilities that are delegated to the Executive and those decisions which must be made at Board or Shareholder level. This policy is applied consistently. Typically, Board or Shareholder Reserved Matters are raised at regular Board meetings and written resolutions are obtained where otherwise required.

A Conflicts of Interest paper is maintained and regularly updated with details of Board or Shareholder conflicts. Any conflicts which may compromise independent decision making would be raised by the Company Secretary at the relevant Board meeting; a Director having a conflict is not entitled to discuss or vote on the relevant matter, or to count in the quorum.

Committees

Four Board sub-Committees have been instituted. Pages 56-57 of the Annual Report provides an overview and description of each of the Board sub-Committees comprising: Audit and Risk, Remuneration Committee, Nomination & Governance and Operational Resilience. The Board sub-Committees promote effective decision making and greater accountability and focus in relation to each of the areas covered by the respective Board sub-Committees. The terms of reference for each of the sub-Committees were updated in October 2018.

Integrity of information

The Board receives regular reports from the Executive and Senior Management on key matters for which the Board has responsibility, including strategic projects; comprehensive financial reporting; key customer and regulatory matters; updates on operational resilience (including physical and cyber security as well as health and safety and environmental issues); details of major bids and performance of key contracts and market issues faced by the Group as well as developments in technology and regulation.

The Group uploads papers to a board portal for ease of review and administration. Following the 2018 Board Effectiveness review, a revised template board paper has been introduced and other than in exceptional cases papers are submitted in advance and taken as read at Board meetings, allowing any presentations to focus on highlighting key issues and dealing with questions. The Chairs of each of the Board Committees are aware of the importance of their position and *during FY20 they have each met with key employees of the Group to build relationships and gain direct access to those dealing with the day to day business of the Group.*

Directors' report

Principle Four -

Opportunity and Risk

A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

Opportunity

The Group's Board maintains a focus on how the Group creates and preserves value over the long-term which is principally achieved through a well-developed strategic and long-term planning process. The Board keeps its strategy under review which provides a forum to present future business opportunities and a Strategic overview is presented at pages 17-18 of the Annual report. Appropriate governance mechanisms are in place to ensure that new business opportunities above a certain value are considered and approved by the Board.

Risk

The Group has a well-developed risk management process in place and during FY20 has implemented an online risk assessment tool, which is used throughout the business (which is described on pages 50 and 51 of the Annual report). The Group's Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly

Executive Committee and Audit and Risk Committee meetings.

Arqiva's key operational risks and mitigations are outlined in detail on pages 52-56 of the Annual Report.

Responsibilities

The Group has adopted the Enterprise Risk Management approach to managing its risk which has been approved by the Group's Audit and Risk Committee. This incorporates an internal control framework clearly defining roles and responsibilities of those involved. Responsibilities include the following:

- The Group's Executive Committee takes recommendations for ensuring the risk management framework remains effective going forward;
- Processes are in place for managing the principal risks and uncertainties;
- The internal control framework (described on page 50 of the Group's annual report) confirms that there is a monitoring and review process in place to evaluate risks at both business unit and Board level.

Principle Five -

Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Remuneration

A consistent approach has been adopted in setting the level and structure of remuneration in relation to each member of the Executive Committee in order to secure appropriate and fair levels of remuneration. Benchmarking and advice from external remuneration consultants is obtained. Remuneration comprises of a number of elements including base salary, an annual bonus and a long-term incentive plan. Page 37 of the Group's annual report provides more detail and explains how remuneration is structured to recognise high performance reward for achieving targets in line with the Group's sustainable success and values. This aligns with remuneration arrangements for the remainder of the organisation where every employee's remuneration is made up of a combination of base salary and annual bonus (which, again, is linked to personal performance and achieving financial targets in line with the Group's values).

A review of the group's remuneration structures and policies is underway, overseen by the group's new Chief People Officer. The recommendations from that review will be taken to the Remuneration Committee in FY21 for consideration and implementation

Policies

The Group has delegated remuneration matters to the Remuneration Committee (which is a committee of the Board). The Remuneration Committee operates in accordance with documented terms of reference. The Remuneration Committee is committed to take into account the pay and employment conditions of the Group's wider workforce when making recommendations in relation to Senior Executive pay.

The Group's bonus and long-term incentive plans are documented in writing and reviewed annually by the Remuneration Committee and any payments made operate against documented performance targets.

In addition, the Remuneration Committee considers the company wide annual pay increase on an annual basis. As part of this process, the Remuneration Committee will assess increases against certain criteria including taking into account other comparative pay metrics in the industry, discussions held with Bectu, the existing and future financial capacity of the business, and also aligning with the long term sustainable success of the company.

Principle Six - Stakeholders

A board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce, and have regard to that discussion when taking decisions. The board has a responsibility to foster good stakeholder relationships based on the company's purpose.

Stakeholders

The Group's key Stakeholders include its employees; customers; debt investors; Shareholders; pensions trustees; and regulatory and government bodies including Ofcom; DCMS; and BEIS. Senior Management and the Public Policy team work closely with industry and lobby groups and representatives of the various regulatory bodies, and the Board is regularly briefed informally and formally on developments. The value of good relationships with local communities, in the context of planning requirements for example, is understood and focus is given to fostering these relationships. The Group provides reports to investors and creditors as part of its listed debt obligations and conducts regular investor calls which give the opportunity for debt investors to raise questions with the group. The Group's procurement operations function has actively undertaken a supplier management review and further developing its regular governance programme.

Workforce

Arqiva communicates to its employees through regular "Stay Connected" email newsletters, updates from the CEO and local messaging from the Executive Management, presentations, live broadcasts and roadshows. During the Covid-19 pandemic, presentations by the CEO and other Executive Committee members have been streamed online, with interactive question functionality enabling a live dialogue with the workforce. Individual video interviews with members of the Executive Management have also been published on the Arqiva intranet.

The Group has active union representation from BECTU, as well as an elected Employee Board, and employee forums throughout the different Business Units and functions. The People & Culture team work closely with each of these bodies, consulting on any proposed changes to terms; policies and processes; as well as seeking feedback on workplace morale and issues of concern or interest to the workforce.

External impacts

The Group's Corporate Responsibility statement sets out, on pages 35-38 of the Directors' Report, a description of the Group's four focus areas used to ensure that it acts responsibly, ethically and safely, from a Corporate; Community; Employee; and Business perspective. The statement also includes a summary of the Group's approach to environmental factors.

Directors' report

Events after the reporting date

On 8 July 2020, Arqiva successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c.7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiaries, the largest being Arqiva Services Limited.

Proceeds from the transaction were received on 8 July 2020, at the point of legal completion of the sale. Based upon estimated completion costs, trading results to the date of sale and finalisation of the working capital completion mechanism it is estimated that the Group will record a profit on the disposal of this business of circa £880m against the book value of assets and liabilities that were recorded as held for sale at 30 June 2020. The disposal will qualify for the UK's substantial shareholding exemption and the gain on disposal will therefore not be taxable.

The proceeds have been utilised to repay debt and related swap derivatives deleveraging the Group. Post year end the Group has repaid £440.0m of bank facilities, £108.0m senior debt and £515.0m private placements (net of cross currency swap gains) held at the balance sheet date. The Group has also made payments of £566.0m to partially pay down IRS and ILS swaps and all of the cross-currency swaps held at year end.

Dividends and transfers to reserves

The Directors' have not recommended a dividend in the year. A Group company which includes a non-controlling interest, Now Digital (East Midlands) Limited, declared a dividend in the year of £0.4m (2019: £0.8m). The consolidated loss for the year of £322.8m (2019: loss of £377.4m) 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 uncertainties facing the Group. Notes 21, 24 and 26 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 have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements, including the repayment profile of borrowings, and facilities available to the Group. The proceeds from the sale of its Telecoms business will enable a significant deleveraging during the next financial year. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments both in terms of capital programmes and financing. The Directors have also taken into account the potential implications of the current Covid-19 situation and have determined that given there will continue to be demand for services provided by the Group and the Group has a mixed customer base. 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.

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 17.

Ownership and Directors

A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 46.

At 30 June 2020, Mike Parton was the Group's independent Chairman. Jeremy Mavor is the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 46.

Details of the statutory directors of the Company are shown on page 134.

Directors Indemnities

The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third-party indemnity 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 Group 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.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- ▶ Select suitable accounting policies and then apply them consistently;
- ▶ State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- ▶ Make judgements and accounting estimates that are reasonable and prudent; and
- ▶ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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

Directors confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

On behalf of the Board



Frank Dangeard
Director
21 September 2020

Financial Statements

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Independent auditors' report to the members of Arqiva Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Group 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 2020 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted

Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 30 June 2020; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

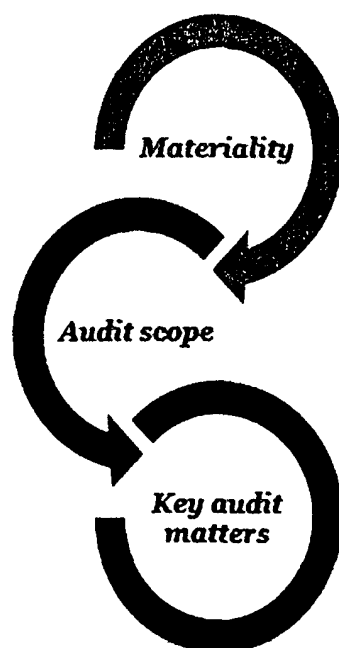
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall Group materiality: £10.0m (2019: £16.7m), based on approximately 5% of continuing profit before tax, finance income, finance costs, other gains and losses and exceptional income and expenses (2019: consistent basis).
- Overall Company materiality: £0.1m (2019: £17.7 m), based on approximately 2% of total assets (2019: 1% of total assets).
- For the Group financial statements we performed an audit of the complete financial information of 6 entities and the consolidation. We also conducted audit procedures on specific line items for 6 entities to ensure sufficient coverage.
- The audit work performed gave us coverage of 91% of revenue and 92% of profit before tax, finance income, finance costs, other gains and losses and exceptional income and expenses.
- All entities have been audited by the Group team and hence no component auditor has been involved in the audit of the Consolidated financial statements
- Revenue and profit recognition on complex contracts (Group)
- Valuation of financial instruments (Group)
- Carrying value of goodwill (Group) and investments in subsidiaries (Company)
- Recognition and recoverability of deferred tax assets (Group)
- Classification, presentation and disclosure of discontinued operations (Group)
- IFRS 16 implementation (Group)
- Valuation of defined benefit pension scheme (Group)
- Covid-19 impacts (Group and Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including

evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which

had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition on complex contracts (Group) The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include smart metering contracts, contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result, the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining the separate deliverables, the related revenue and costs and therefore the margin to be recognised. Refer to page 86, page 93 and page 95 (note 3- Significant accounting policies – Revenue recognition, note 4- Critical accounting judgements and key sources of estimation uncertainty – Revenue recognition and note 5 – Revenue and segmental information).	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2020, all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the performance obligations were separately identified, and performed testing over the amounts of revenue allocated to each performance obligation to ensure the revenue recognition is appropriate. For each element of revenue we assessed the extent of performance of obligations that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate. Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery, including validating this to the signed contract variation addendums. We assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IFRS 15. For the profit recognised we compared the current year margin percentage with the past profit percentage and forecast percentage margins for the deliverable, obtaining explanations and corroborating evidence for significant or unexpected variations where necessary. We performed testing over the year end contract assets and contract liabilities which included agreeing amounts to supporting documentation such as underlying contracts and invoices. We audited journals crediting revenue which do not follow the standard expected business process. Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.
Valuation of financial instruments (Group) The Group holds a number of derivative financial instruments comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of these instruments using valuations provided by the counterparty institutions	We engaged PwC valuations experts to assist with the audit of the counterparty valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. Our experts recalculated the fair value using the internal PwC valuation model for a sample of instruments, which was then compared to the amount recognised in the financial statements.

Key audit matter	How our audit addressed the key audit matter
with adjustments made by management for counterparty credit risk. This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved. Refer to page 89 and page 120 (note 3- Significant accounting policies – Financial instruments and note 26 – Financial instruments and risk management).	There were no material differences arising between the Group fair values of derivative financial statements recognised and our valuations.
Carrying value of goodwill (Group) and investment in subsidiaries (Company) IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of goodwill. The Group's goodwill is material, amounting to £1,457.4m, and the impairment reviews performed over goodwill include a number of assumptions which are subject to management judgement and estimates. The Company has investments in subsidiaries of £nil as at 30 June 2020 following an impairment recognised in the year totalling £128.0m. Refer to page 94 and page 106 (note 4- Critical accounting judgements and key sources of estimation uncertainty – Impairment of goodwill and note 14 – Goodwill) and page 140 (note 4 – Investments)	We obtained an understanding of the allocation of goodwill to cash generating units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the accuracy of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of goodwill for each business unit. These included the assumptions for revenue and cost growth, capital expenditure and the discount rate used. We tested the cash flows and agreed these to Board approvals and performed a look back test to assess accuracy of forecasting. We involved our PwC valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and confirmed this was calculated using an acceptable methodology and concluded that the discount rate is materially in line with what we would expect. We reviewed management's sensitivity analysis and performed our own sensitivity analysis considering various reasonably possible scenarios impacting key assumptions, including forecast cash flows, terminal growth rate and discount rates. Based on this testing we considered whether the carrying value of the goodwill balances was adequately supported by the value-in-use impairment model prepared by management and found there to be a significant level of headroom. For the Company's investment in subsidiaries we compared the value-in-use with the carrying value of the investments held to ensure that the impairment charge recognised in the year is reasonable. We agreed key estimates to supporting evidence including verifying the appropriateness of the assumptions for revenue and cost growth, capital expenditure and the discount rate used, where applicable. Our testing did not identify any material differences to the position reflected in the financial statements.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
Recognition and recoverability of deferred tax assets (Group) Following the introduction of legislation in previous years which restricts interest deductions, the Group recognised a significant deferred tax asset at that time. In the current year £28.5m of fixed asset temporary differences have been allocated to assets held for sale leaving a deferred tax asset at year end of £169.0m. A further £272.9m of potential deferred tax assets attributable to the continuing business have not been recognised as they are not considered to be recoverable. There is judgement involved in the determination of the elements of the deferred tax asset to recognise and the value of that recognition, including the extent to which there are foreseeable taxable profits. Refer to page 93 and page 113 (note 4- Critical accounting judgements and key sources of estimation uncertainty – Deferred tax and note 20 –Deferred tax).	We obtained management's detailed workings which set out the various elements of the deferred tax asset and rationale as to why these should or shouldn't be recognised and assessed the appropriateness of this in conjunction with our taxation specialists. This included consideration of those assets which are recognised in relation to the discontinued business. We challenged management's assumptions in relation to tax losses and the evidence available to support the recognition of losses arising in various entities, including consideration of whether specific steps are required in order to enable the value of the losses to be realised and the stage of Arqiva's steps towards recovery. We obtained management's forecast of taxable profits and agreed those to the approved long term plan and also agreed these to be consistent with the forecasts used for the goodwill impairment assessment. The calculations of the forecast taxable profits were reviewed and an analysis of the sensitivity of the utilisation horizon to variations in EBITDA was considered. As a result of our work performed no material differences were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2020.
Classification, presentation and disclosure of discontinued operations (Group) On 8 October 2019, management committed to a plan for the sale of its Telecoms infrastructure and related assets at a value of £2bn. In the FY20 financial statements, the Telecoms business is presented as a discontinued operation and a disposal group held for sale. As the Telecoms business represented a major line of business, it has been presented separately as a discontinued operation in the income statement. As the transaction was highly probable and met the criteria of IFRS 5, the Telecoms business was also presented as held for sale on the balance sheet. Accordingly, there are £1,186.4m of assets classified as held for sale at 30 June 2020 and £429.6m of liabilities directly associated with assets held for sale at 30 June 2020. The classification of the business as a discontinued operation has a significant impact on the financial statements, including additional disclosure and the requirement to present the results in the current and prior period separate from the continuing business and as profit from discontinued operations. Judgement was also required in determining whether the Group met the criteria for classification as a discontinued operation and held for sale. Refer to page 77, page 114 and page 133 (Consolidated income statement, note 22- Disposal	We assessed the appropriateness of disclosing the Telecoms business as discontinued in the financial statements, including amendment of the FY19 results to reflect this position. Based on the contribution of the business to the Group, we are satisfied that it constitutes a single major line of operations. We also considered the presentation of a disposal group held for sale as at 30 June 2020 to ensure that this meets the definition as set out within IFRS 5. We examined minutes of the board meetings and also the signed Sale & Purchase Agreement. We also examined management's plans detailing how it plans to demerge the business to verify that it is highly probable that the sale will occur within 12 months from the balance sheet date. Accordingly, we are satisfied that the disposal group has been appropriately classified as held for sale. We understood and audited the split between continuing operations and discontinued operations. We also understood and audited the assets and liabilities classified as held for sale as at 30 June 2020. Audit work over this area included performing sample testing to supporting evidence over the classification of all financial statement line items to ensure that the item selected is correctly reflected as either discontinuing / held for sale or part of the continuing business. We audited the presentation of the comparative consolidated income statement information which has been re-presented in the comparative period for all operations that are discontinued by the end of the reporting period.

Key audit matter	How our audit addressed the key audit matter
group held for sale and discontinued operations and note 32 – Events after the reporting period).	No exceptions have been noted through our audit testing over the presentation and disclosure of the discontinued operations within the financial statements.
IFRS 16 implementation (Group) IFRS 16 ‘Leases’ is a new standard adopted by the Group at 1 July 2019. The Group has adopted the standard on a modified retrospective basis and has not restated comparatives for the 2019 reporting period, as permitted by the standard. The Group holds lease arrangements primarily relating to land and buildings, circuit contracts and vehicles. On adoption at 1 July 2019, the Group has recognised right-of-use assets of £335.3m and lease liabilities of £305.5m in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 ‘Leases’. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as at 1 July 2019 of 7.4%. At the year end the closing right-of-use asset is £119.3m (after £296.1m is classified as Held for Sale) and the closing lease liability is £122.9m (after £233.5m is classified as Held for Sale). The application of IFRS 16 is complex and involves a number of key judgements and estimates. In addition, the new standard has a material impact on the Group. Refer to page 83, page 94, page 116 and page 119, note 2 – Adoption of new and revised standards, note 4 – Critical accounting judgements and key sources of estimation uncertainty – Leases, note 24 - Borrowings and note 25- Leases).	We understood management’s processes and controls in place for assessing existing, modified and new lease agreements. We tested management’s IFRS 16 model by performing sample testing over each of the input categories across all types of leases, agreeing the samples back to the supporting contracts with no issues. We also reperformed the calculation of the output of the IFRS 16 model on a sampling basis with no issues. We agreed a sample of inputs into the calculations back to signed agreements and, in conjunction with our specialist team, considered judgements taken by management including areas such as lease lengths where the Group have the right to extend, incremental borrowing rates and in substance fixed payments. We also performed additional procedures to obtain comfort over the completeness of the liability, such as auditing the reconciliation of the operating lease commitments disclosed at 30 June 2019 to the lease liability recognised as at 1 July 2019. We agreed the rolled forward position of the lease model through to 30 June 2020 including the movements to the income statement in FY20. We performed sample testing back to contracts over lease additions during the year as well as any lease remeasurements or modifications. We audited the IFRS 16 disclosures in the financial statements to ensure that these agree to the underlying audited data, and also comply with the disclosure requirements of IFRS16. No material issues have been identified in our testing performed over the IFRS 16 accounting and disclosures.
Valuation of defined benefit pension scheme (Group) The Group operates one defined benefit plan which has a surplus at the year end of £16.1m. The valuation of the plan liabilities (£266.8m) includes a high level of estimation uncertainty, comprising several different key assumptions. There is a risk that an error within one or a combination of those assumptions could lead to a material misstatement in the financial statements. Refer to page 128 (note 30 –Retirement benefits).	We involved our actuarial specialists and reviewed the key assumptions used to derive the pension benefit obligation to assess whether they sit within our expected ranges based on market data and concluded that all of the key assumptions were within our expected ranges. We also tested the key inputs to supporting evidence with no exceptions noted. We reviewed the actuarial report and enquired of management’s actuarial expert. As a result of our work performed no material differences were noted in respect of the pension benefit obligation recognised in the financial statements at 30 June 2020.
Covid-19 impacts (Group and Company)	We discussed the impact of Covid-19 in each meeting held with management at multiple levels across the Group.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
Since early 2020, the Covid-19 pandemic has impacted the globe, creating considerable uncertainty for economies and markets. Despite some challenges, Arqiva, as a critical national infrastructure business, has continued to operate throughout the pandemic and maintained services providing communications and broadcast capabilities across the country. Accordingly, the impact of Covid-19 has been limited. UK commercial radio has been impacted by Covid-19 with some reduction to revenue seen, as many businesses cut advertising budgets as a result of the temporary lockdown in the UK. Key programmes such as the 700MHz Clearance programme and the Smart metering rollout have also been impacted due to access to sites being limited however this has not had a material impact on the business and no material additional provisions have been considered necessary. FY21 budgets have been revisited by management to ensure that any necessary revisions are made to incorporate any known and expected impacts of Covid-19. These have been included in management's going concern assessment. Refer to page 28 and page 85 (Financial review - Going concern, note 3 – Significant accounting policies – Going concern).	We considered the impact of Covid-19 as part of our going concern procedures, including considering the updated FY21 budget and extent of sensitivities applied to include severe but plausible downside scenarios, and we concur with the Directors' conclusion that the Group continues to be a going concern, with Covid-19 not having impacted this conclusion. We also considered the impact of Covid-19 as part of our impairment work by incorporating the expected impact on future cashflows noted above. As part of this work we challenged key assumptions as well as performed further sensitivity testing for reasonably possible changes in assumptions, concluding that the impact of Covid-19 has not changed the conclusions reached in relation to the carrying value of Goodwill. Due to the full write-off of the investment in subsidiaries value held in the Company, there has been no additional impact of Covid-19 on this balance. We audited provisions associated with the delays experienced on key programmes and concluded that these are materially appropriate. We read management's disclosures and concluded that the disclosures in the financial statements are adequate and consistent with our audit work and understanding of the business and how it has been impacted by the pandemic

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Arqiva Group Limited's business is carried out through two principal trading subsidiaries, aligned into two

customer-facing business units; Telecoms & M2M and Media Networks, supported by the Group's corporate functions. In addition, there are a number of entities which provide financing to the operations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us

to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£10.0m (2019: £16.7m).	£0.1m (2019: £17.7 m).
How we determined it	Approximately 5% of continuing profit before tax, finance income, finance costs, other gains and losses and exceptional income and expenses.	Approximately 2% of total assets.
Rationale for benchmark applied	Based on our professional judgement, continuing profit before tax, finance income, finance costs, other gains and losses and exceptional income and expenses is an appropriate adjusted measure to assess the performance of the Group, which focuses on the underlying trading results.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark. A rule of thumb of approximately 2% is appropriate given that the entity itself is not a PIE.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.1m and £9.5m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5m (Group audit) (2019: £0.75m) and £0.005m (Company audit) (2019: £0.75m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and

Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent

material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 66, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to

cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
 - certain disclosures of Directors' remuneration specified by law are not made; 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.



Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 September 2020

Consolidated income statement

	Note(s)	Year ended 30 June 2020			Year ended 30 June 2019 ¹		
		Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Revenue	5	677.5	225.3	902.8	736.4	263.1	999.5
Cost of sales		(195.1)	(75.5)	(270.6)	(243.9)	(112.4)	(356.3)
Gross profit		482.4	149.8	632.2	492.5	150.7	643.2
Depreciation	16	(190.8)	(16.4)	(207.2)	(163.9)	(20.2)	(184.1)
Amortisation	15	(10.3)	(0.1)	(10.4)	(15.5)	(0.3)	(15.8)
Exceptional operating expenses ²	7	(15.5)	(19.2)	(34.7)	(12.1)	(1.4)	(13.5)
Other operating expenses		(90.8)	(18.4)	(109.2)	(100.9)	(15.9)	(116.8)
Total operating expenses		(307.4)	(54.1)	(361.5)	(292.4)	(37.8)	(330.2)
Other income		10.5	-	10.5	7.5	-	7.5
Operating profit	6	185.5	95.7	281.2	207.6	112.9	320.5
Finance income	9	3.0	0.2	3.2	2.7	0.3	3.0
Finance costs	10	(703.5)	(14.6)	(718.1)	(651.9)	-	(651.9)
Other gains and losses	11	114.7	-	114.7	(37.1)	-	(37.1)
(Loss)/profit before tax		(400.3)	81.3	(319.0)	(478.7)	113.2	(365.5)
Tax	12	9.8	(13.6)	(3.8)	6.2	(18.1)	(11.9)
(Loss)/profit for the year		(390.5)	67.7	(322.8)	(472.5)	95.1	(377.4)
Attributable to:							
Owners of the Company				(323.1)			(377.7)
Non-controlling interests				0.3			0.3
				(322.8)			(377.4)

Further comments on consolidated income statement line items are presented in the notes to the financial statements.

¹ Comparative information has been re-presented due to a discontinued operation (see note 22).

² Exceptional items are presented to assist with the understanding of the Group's performance. See note 7 for further information.

Consolidated statement of comprehensive income

		Year ended 30 June 2020	Year ended 30 June 2019
	Note	£m	£m
Loss for the year		(322.8)	(377.4)
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	30	(11.9)	(5.1)
Movement on deferred tax relating to pension schemes		2.3	0.9
		(9.6)	(4.2)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		-	2.5
Total other comprehensive loss		(9.6)	(1.7)
Total comprehensive loss		(332.4)	(379.1)
Attributable to:			
Owners of the Company		(332.7)	(379.4)
Non-controlling interests		0.3	0.3
		(332.4)	(379.1)

All items of other comprehensive income relate to continuing operations.

Consolidated statement of financial position

		30 June 2020	30 June 2019
	Note	£m	£m
Non-current assets			
Goodwill	14	1,457.4	1,978.4
Other intangible assets	15	46.1	47.3
Property, plant and equipment	16	1,475.4	1,711.1
Deferred tax	20	169.0	198.5
Retirement benefits	30	16.1	22.0
Interest in associates and joint ventures	17	0.1	0.1
		3,164.1	3,957.4
Current assets			
Trade and other receivables	18	139.1	192.9
Contract assets	18	64.6	70.1
Cash and cash equivalents	21	110.1	20.3
		313.8	283.3
Assets held for sale	22	1,186.4	-
		1,500.2	283.3
Total assets		4,664.3	4,240.7
Current liabilities			
Trade and other payables	23	(277.6)	(176.3)
Contract liabilities	23	(96.6)	(182.1)
Borrowings	24	(2,215.8)	(1,762.5)
Provisions	27	(2.4)	(6.2)
		(2,592.4)	(2,127.1)
Liabilities directly associated with the assets held for sale	22	(429.6)	-
		(3,022.0)	(2,127.1)
Net current liabilities		(1,521.8)	(1,843.8)
Non-current liabilities			
Contract liabilities	23	(232.9)	(287.2)
Borrowings	24	(4,707.1)	(4,512.4)
Derivative financial instruments	26	(718.7)	(1,001.8)
Provisions	27	(78.7)	(74.8)
		(5,737.4)	(5,876.2)
Total liabilities		(8,759.4)	(8,003.3)
Net liabilities		(4,095.1)	(3,762.6)

The Consolidated statement of financial position is continued on the next page.

Consolidated statement of financial position (continued)

	30 June 2020	30 June 2019
	£m	£m
Equity		
Share capital	653.9	653.9
Share premium	315.6	315.6
Accumulated losses	(5,065.1)	(4,732.4)
Translation reserve	(0.7)	(0.7)
Total equity attributable to owners of the Parent	(4,096.3)	(3,763.6)
Non-controlling interest	1.2	1.0
Total equity	(4,095.1)	(3,762.6)

These financial statements on pages 77 to 133 were approved by the Board of Directors and authorised for issue on 21 September 2020. They were signed on its behalf by:



Frank Dangeard – Director

Consolidated statement of changes in equity

		Share capital*	Share premium	Accumulated losses	Translation reserve	Total Equity attributable to owners of the Parent	Non-controlling interests	Total equity
	Note	£m	£m	£m	£m	£m	£m	£m
Balance at 1 July 2018		653.9	315.6	(4,350.5)	(3.2)	(3,384.2)	0.9	(3,383.3)
(Loss) / profit for the year		-	-	(377.7)	-	(377.7)	0.3	(377.4)
Other comprehensive (loss) / income		-	-	(4.2)	2.5	(1.7)	-	(1.7)
Total comprehensive (loss) / income		-	-	(381.9)	2.5	(379.4)	0.3	(379.1)
Dividends paid	13	-	-	-	-	-	(0.2)	(0.2)
Balance at 30 June 2019		653.9	315.6	(4,732.4)	(0.7)	(3,763.6)	1.0	(3,762.6)
(Loss) / profit for the year		-	-	(323.1)	-	(323.1)	0.3	(322.8)
Other comprehensive loss		-	-	(9.6)	-	(9.6)	-	(9.6)
Total comprehensive (loss) / income		-	-	(332.7)	-	(332.7)	0.3	(332.4)
Dividends paid	13	-	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2020		653.9	315.6	(5,065.1)	(0.7)	(4,096.3)	1.2	(4,095.1)

*Comprises 653,928,000 (2019: 653,928,000) authorised, issued and fully paid ordinary shares of £1 each.

Consolidated cash flow statement

	Note	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Net cash inflow from operating activities	28	489.0	471.1
Investing activities			
Interest received		0.4	2.2
Purchase of tangible assets	16	(113.3)	(120.3)
Purchase of intangible assets	15	(2.1)	(2.5)
Sale of tangible assets		-	7.5
Net cash outflow from investing activities		(115.0)	(113.1)
Financing activities			
Raising of external borrowings	24	528.9	636.9
Repayment of external borrowings	24	(463.6)	(737.2)
Movement in borrowings		65.3	(100.3)
Interest paid		(233.6)	(219.1)
Payment of lease liabilities (2019: Payment of finance lease liabilities)	25	(71.6)	(1.6)
Cash settlement of principal accretion on inflation-linked swaps	26	(48.8)	(44.3)
Redemption premium of Junior Bonds upon refinancing		-	(14.3)
Debt issue costs and facility arrangement fees		(0.5)	(7.7)
Cash inflow on redemption of swaps		5.0	1.6
Net cash outflow from financing activities		(284.2)	(385.7)
Increase/(decrease) in cash and cash equivalents		89.8	(27.7)
Cash and cash equivalents at the beginning of the financial year		20.3	48.0
Cash and cash equivalents at end of year	21	110.1	20.3

Notes to the Group financial statements

1 General information, authorisation of financial statements and Statement of Compliance

Arqiva Group Limited ('AGL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 05254001. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30

June 2020 comprise the Company and its subsidiaries (together the "Group").

The nature of the Group's operations and its principal activities are set out in the Strategic report on pages 8 to 40.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS)

as adopted by the EU, interpretation of the IFRS Interpretations Committee (IFRS IC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 134 to 146.

2 Adoption of new and revised Standards

New and revised Standards

The group applied IFRS 16 'Leases' for the first time in the current year. The group has adopted IFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the group recognised additional right-of-use assets and additional lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. The impact on transition is summarised below:

	1 July 2019 £m
Right-of-use assets	335.3
Trade & other receivables	(30.4)
Trade & other payables	0.6
Lease liabilities	(305.5)

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019, with the weighted average lessee's incremental borrowing rate applied to the lease liabilities being 7.4%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. No adjustments to the right-of-use assets and lease liabilities were required immediately after transition to IFRS 16.

	1 July 2019
	£m
Operating lease commitments disclosed at 30 June 2019	244.3
Impact of in-substance fixed payments included in lease liability	70.0
Adjustments as a result of different treatment of extension and termination options	93.8
Finance lease liabilities at 30 June 2019	12.4
Discounted using the lessee's incremental borrowing rate at the date of initial application	(102.6)
Lease liability recognised as at 1 July 2019	317.9
Of which are:	
Current lease liabilities	53.3
Non-current lease liabilities	264.6
	317.9

Practical expedients taken

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- reliance on previous assessments of whether leases are onerous;
- the exclusion of low value assets, excluding IT equipment, from recognition as a right-of-use asset or liability; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

The following additional new and revised Standards and Interpretations have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	Various standards
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not applicable for these financial statements:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to References to the Conceptual Framework in IFRS Standards	Various standards	1 January 2020	30 June 2021
Amendments to IFRS 3	Definition of a Business	1 January 2020	30 June 2021
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020	30 June 2021
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020	30 June 2021
Amendments to IFRS 16	Covid-19 Related Rent Concessions	1 June 2020	30 June 2021

3. Significant accounting policies

Basis of preparation

The financial framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100, Application of Financial Reporting Requirements, which was issued in November 2012.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, interpretation of the IFRS Interpretations Committee (IFRS IC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for the valuation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below. These policies have been applied consistently across the comparative financial

periods included within these financial statements.

The Company's financial statements have been prepared under FRS 101 and in accordance with the Companies Act 2006 and are included in this report – see page 134.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2020.

Control is achieved when the Company:

- has demonstrable power over the relevant activities of the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Going concern

Historically the Group has reported losses and has a significant net liability position on the Statement of Financial Position, caused primarily by debt and the related financing costs. However, the Group has continued to generate strong operating cashflows.

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 29.

The Group has responded to the COVID-19 pandemic by taking deferrals on VAT payments, and also offering discounts to commercial radio customers severely impacted by the virus through loss of advertising revenues. Due to the nature of Arqiva's business, and the fact many of the contracts in place are long term contracts, we do not anticipate a long lasting impact on the business as a result of the pandemic

In addition, forecast covenant compliance remains strong. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for the allocation of resources and assessment of performance of the operating segments, has been identified as collectively the Board of Directors, which includes the Chief Executive Officer and the Chief Financial Officer.

Revenue recognition

Revenue represents the gross inflow of economic benefit for services provided utilising Arqiva's communications infrastructure, completion of significant engineering

projects and the sale of communications equipment. Revenue is stated net of value added tax. Revenue is measured at the fair value of the consideration received or receivable.

On inception of a contract, performance obligations are identified for each of the distinct goods or services that have been promised to be provided to the customer. The consideration specified in the contract is allocated to each performance obligation identified based on their relative standalone selling prices and is recognised as revenue as they are satisfied. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a standalone basis by Arqiva or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

Cash received or invoices raised in advance are taken to deferred income and recognised as contract liabilities, and subsequently recognised as revenue when the services are provided. Where consideration received in advance is discounted, reflecting a significant financing component, it is reflected within revenue and interest payable and similar charges on a gross basis. Revenue recognised in advance of cash being received or an invoice being raised is recognised as accrued income within contract assets and subsequently reclassified to receivables once an invoice is raised. Invoices are issued in line with contract terms.

The Group does not have any material obligations in respect of returns, refunds or warranties.

The following summarises the performance obligations we have

identified, and provides information on the timing of when they are satisfied and the related revenue recognition policy. The revenue expected to be recognised in future periods for contracts in place at 30 June 2020 that contain unsatisfied performance obligations is included in note 5.

Rendering of services

Performance obligations under contracts for the rendering of services are identified for each distinct service or deliverable for which the customer has contracted and are considered to be satisfied over the time period that the services or deliverables are delivered. Revenue is recognised over time in line with the service provision over the contractual period and appropriately reflects the pattern by which the performance obligation is satisfied. Such revenues include television and radio transmission services, tower site share charges to mobile network operators, small cells, network provision, media services, and machine-to-machine connectivity.

For long-term services contracts revenue is recognised on a straight-line basis over the term of the contract. However, if the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or network coverage basis. Such revenues include Smart metering network build and service operation.

Pre-contract costs incurred in the initial set up phase of a contract are deferred. These costs are then recognised in the income statement on a straight-line basis over the remaining contractual term, unless the pattern of service delivery indicates a different profile is appropriate. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are assessed for recoverability on a regular basis. Costs related to

delivering services under long-term contractual arrangements are expensed as incurred.

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects. Contracts for the delivery of engineering projects are split into specific performance obligations. Performance obligations relating to services are satisfied over the time period that services are delivered, performance obligations relating to the provision of assets are satisfied at the point in time that control passes to the customer. Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, is recognised based on satisfaction of the identified performance obligations using the percentage of completion method. The stage of completion is based on the portion of costs incurred as a percentage of total costs. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

A loss on a fixed price contract is recognised immediately when it becomes probable that the contract

cost will exceed the total contract revenue.

Sale of communications equipment

Performance obligations from the sale of communications equipment provided as part of customer contracts are satisfied and revenue is recognised at the point in time that control passes to the customer, which is typically upon delivery and acceptance by the customer. In some cases, payment is not received in full at the time of the sale, and a contract asset is recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment.

Business combinations, including goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for

control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually or where there is indication of impairment.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset, on the following bases:

Asset Description	Estimated Useful Life
Licences	Length of the licence period (no more than 20 years)
Development costs	10 years
Access rights	Length of the agreement (no more than 20 years)
Software	5-10 years

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is

recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at historical purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for tangible assets acquired on acquisition, less accumulated depreciation and any provision for impairment.

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour. Labour costs are capitalised within the cost of an asset to the extent that they are directly attributable to the construction of the asset. The value capitalised captures all

elements of employee benefits as defined by IAS 19.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Asset Description	Estimated Useful Life
Freehold buildings	20 – 80 years
Leasehold buildings	Length of lease (typically between 20-80 years)
Plant and equipment	
- Communications infrastructure network	8 – 80 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated.

Assets held under finance leases are depreciated over the shorter of their lease term and their expected useful lives (on the same basis as owned assets).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the income statement.

Impairment of non-financial assets

At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life, such as goodwill, is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the impairment relates to goodwill, in which case it cannot be reversed.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss, presented as an 'other gain or loss'.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The Group's **financial assets** are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity'

investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents:

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Impairment of irrecoverable amounts is based on an expected credit loss model.

Contract assets

Contract assets are amounts owed for future services from signed contracts. Revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

The Group's **financial liabilities** are classified as either financial liabilities 'at FVTPL' or 'other financial

liabilities' according to the substance of the contractual arrangements entered into.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are accounted for on an accruals basis to the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade and other payables are not interest bearing and are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. They are included in current liabilities, except for maturities greater than 12 months after the reporting date, which are classified as non-current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a

provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

When the probability that the Group will be required to settle an obligation or a reliable estimate cannot be made of the amount of the obligation the Group discloses a contingent liability in the notes to the financial information.

The Group enters into a variety of **derivative financial instruments** to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments.

The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability. The Group has offsetting arrangements in place in the form of cross currency swaps to mitigate exchange rate risk. These derivatives are presented on a net basis.

Fair value measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for measurements that are approximations to fair value but are not fair values, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Disposal group held for sale and discontinued operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable within the next 12 months. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of derecognition.

Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are

presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Income Statement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent

that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefits

Defined contribution schemes

For defined contribution schemes, the amount charged to the income statement 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 statement of financial position.

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.

The Plan closed to future accrual of benefits on 31 January 2016.

Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note 30) in its consolidated income statement. Curtailments gains and losses are accounted for as a past-service cost.

Net interest expense or income is recognised within finance income (see note 9).

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Leases

The Group as lessor

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is recognised as revenue at the inception of the lease. The associated asset is recognised within cost of sales at the inception of the lease. Receivables 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset

and recognised on a straight-line basis over the lease term.

The Group as lessee

When the Group enters into a lease a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any future lease payments due at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options.

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities are initially measured at the value of the lease payments that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Group entity. Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase), a renegotiation of the lease terms or if the Group's assessment of the lease term changes; any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

For the year ended 30 June 2019, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The treatment of leases recognised when the Group is a lessor is in line with the current year, whilst the treatment of leases for the Group as a lessee for year ended 30 June 2019 is that assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is

recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Operating profit and exceptional items

Operating profit is stated after exceptional items, including restructuring costs, impairment and after the share of results of associates but before finance income and finance costs.

Exceptional items are those that are considered to be one-off, non-recurring in nature or material, either by magnitude or nature, that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance, for example one-off impairments, redundancy programmes, restructuring and costs related to significant corporate finance activities. The Directors believe the resulting EBITDA represents underlying performance, excluding significant one-off and non-recurring events, that more

fairly represents the on-going trading performance of the business. These items are therefore presented separately on the face of the income statement.

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 the contracted rate if applicable. Any exchange differences arising are taken to the income statement.

Transactions in the income statement of overseas operations are translated using an average exchange rate.

Exchange differences on translation of overseas subsidiaries are recognised through the statement of comprehensive income in the Group's translation reserve.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these judgements, estimates and assumptions.

The judgements, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised.

Critical judgements and key sources of estimation uncertainty in applying the Group's accounting policies

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements and could reasonably be expected to change materiality in the next 12 months.

Revenue recognition

Critical accounting judgements:

In applying the Group's revenue recognition policy, as set out in note 3, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- the recognition of a significant financing component.

The aforementioned judgements are consistently applied across similar contracts.

Key estimations:

In applying the Group's revenue recognition policy, as set out in note 3, estimations are made in respect of certain areas including:

- measurement of variable consideration;
- in the application of the percentage of completion approach to long-term contractual arrangements which relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion.

Key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme and installation services, which typically contain a programme build phase and a long-term operational phase. See note 5 for the total engineering revenue. The impact of a change in estimate related to engineering projects is considered to not be material.

Deferred tax

Critical accounting judgements:

As disclosed in note 20, the group has a significant unrecognised deferred tax asset, primarily in respect of deferred interest expenses and tax losses. Judgement is required in determining whether these assets can be accessed considering the restrictions of relevant tax legislation and expectations of future profits within particular group entities.

Only assets that are expected to be available to the Group have been recognised but the judgement relating to these unrecognised assets will remain under review and reassessed as the Group's circumstances and relevant tax legislation evolves.

Useful lives for property, plant and equipment and intangibles

Critical accounting judgements:

Depreciation or amortisation is charged to the income statement based upon the useful lives selected. This assessment requires estimation of the period over which the Group will derive benefit from these assets.

Management monitor and assess the appropriateness of useful economic lives, such lives may also be impacted by external market changes. In the event that such a change were to result in a revision of useful economic lives this could result in a change to the annual depreciation charge going forwards. In the theoretical scenario whereby medium and long term useful economic lives of property, plant and

equipment were to be reduced by one year the estimated impact on the depreciation charge for the year is approximately £18m (2019: approximately £24m), with a reduction in depreciation in later years.

The Group manages its property, plant and equipment on a portfolio basis through a central estates team. This team contains qualified surveyors who have a wealth of experience working for the Group and within the industry as a whole.

The carrying values of intangibles are disclosed in note 15, and those for property, plant and equipment are disclosed in note 16.

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 27, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

The identification of such obligations in the context of daily operations which require provisions to be made requires judgement.

Judgement is also required to distinguish between provisions and contingent liabilities.

Key estimations:

Estimates have been made in respect of the probable future obligations of the Group. These estimates are reviewed annually to reflect current economic conditions and strategic plans.

The decommissioning provisions are reviewed annually and are calculated based upon expected costs and past costs incurred on similar sites as determined by site and project management, as well as assessments made by internal experts (see note 27).

Management have estimated the impact of reducing the decommissioning timetable by one year to be £0.5m (2019: £0.2m) in relation to the unwinding of provision discounting or, if all site decommissioning was recognised in line with potential earlier expiration dates, a sensitivity of up to £8m-10m across the portfolio as a whole. Such movement in any one financial year is therefore not considered likely.

Management also exercises judgement in measuring the exposures to contingent liabilities (see note 29) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Impairment of goodwill

Critical accounting judgements:

The carrying amount of the Group's goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, in compliance with the Group's accounting policies.

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances. An assessment of impairment is performed each year as detailed in note 14.

Leases

For most contracts there is limited judgement in determining whether an agreement contains a lease; however, the change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Judgement is sometimes required to determine whether the Group controls the asset and has a lease under IFRS 16.

Critical accounting judgements:

Some lease contracts include elements of consideration which are fixed and variable. For these contracts judgement is required to determine to what extent any of the variable consideration is in substance fixed consideration according to IFRS 16. Where variable consideration is in substance fixed consideration it is accounted for in the valuation of the lease liability and right-of-use asset.

Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option (or other contractual rights) will be exercised or that a termination option will not be exercised by the Group.

Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the leased asset's nature, purpose and potential for replacement and any plans that the Group has in place for future use of the asset.

The lease terms for land and buildings, subject to the non-cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and between 2 and 10 years, with terms at the top end of this range if the lease relates to assets that are critical to the delivery of major customer contracts.

5 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects, and the sale of communications equipment. See note 3 for the accounting policies adopted.

The following tables disaggregate revenue from contracts with customers by our major service lines and by reportable segment.

Year ended 30 June 2020	Media Networks	Telecoms &	Total continuing	Total	Total
	£m	M2M	operations	discontinued	
	£m	£m	£m	operations ¹	£m
Rendering of services	528.4	81.7	610.1	190.8	800.9
Engineering projects	37.4	-	37.4	34.5	71.9
Sale of goods	-	30.0	30.0	-	30.0
Revenue	565.8	111.7	677.5	225.3	902.8

Year ended 30 June 2019 (Restated ²)	Total continuing			Total	Total
		Telecoms &	operations	discontinued	
	Media Networks	M2M	£m	operations ¹	
	£m	£m		£m	£m
Rendering of services	571.5	98.8	670.3	235.2	905.5
Engineering projects	43.0	-	43.0	27.9	70.9
Sale of goods	-	23.1	23.1	-	23.1
Revenue	614.5	121.9	736.4	263.1	999.5

* Revenue for the year ended 30 June 2019 has been restated to separately identify revenue relating to discontinued operations.

Revenue expected to be recognised in future periods, included in our order book, for performance obligations that are not complete (or are partially complete) as at 30 June 2020 is £4,019.6m (2019: £4,159.2m*). The anticipated timing of recognition of this revenue is as follows:

	< 1 year	1-2 years	2 – 5 years	5-10 years	> 10 years	Total
Year ended 30 June 2020	£m	£m	£m	£m	£m	£m
Rendering of services	524.5	468.0	1,146.8	1,262.4	357.0	3,758.7
Engineering projects	10.1	2.7	-	-	-	12.8
Sale of goods	32.9	56.9	130.9	24.3	3.1	248.1
Revenue	567.5	527.6	1,277.7	1,286.7	360.1	4,019.6

¹ Discontinued operations arise solely from the Telecoms part of the Telecoms & M2M operating segment.

² Revenue for the year ended 30 June 2019 has been restated to separately identify revenue relating to discontinued operations.

Year ended 30 June 2019 (Restated*)	< 1 year £m	1-2 years £m	2 – 5 years £m	5-10 years £m	> 10 years £m	Total £m
Rendering of services	533.6	435.9	1,026.8	1,320.5	599.6	3,916.4
Engineering projects	40.3	6.7	1.1	-	-	48.1
Sale of goods	40.0	41.6	93.6	18.8	0.7	194.7
Revenue	613.9	484.2	1,121.5	1,339.3	600.3	4,159.2

* Revenue expected to be recognised in future periods for the year ended 30 June 2019 has been restated to exclude discontinued operations.

Contract assets and liabilities

The Group has recognised the following assets and liabilities in relation to contracts with customers:

	30 June 2020 £m	30 June 2019 £m
Contract assets		
Current	64.6	70.1
Contract liabilities		
Current	96.6	182.1
Non-current	232.9	287.2
	329.5	469.3

£230.4m of the contract liability recognised at 30 June 2019 was recognised as revenue during the year (2019: £203.4m). Impairment losses of £0.3m (2019: £0.3m) were recognised on contract assets during the year. Other than business-as-usual movements there were no significant changes in contract asset and liability balances during the year.

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a contract. This is presented within other receivables in the balance sheet and totalled £2.0m

(2019: £2.2m). Amortisation recognised as a cost of providing services during the year was £0.2m (2019: £0.2m).

Segmental reporting

Information reported to the Group's Chief Operating Decision Maker ('CODM') (which is collectively the Group's Board of Directors, including the CEO and CFO) for the purposes of resource allocation and the assessment of segmental performance during the year is focused on the two customer-facing business units, supported by central corporate functions which are non-

revenue generating. The Group's reportable segments under IFRS 8 are therefore:

- Media Networks; and
- Telecoms & M2M.

'Other' segment refers to our corporate business unit, which is non-revenue generating.

Information regarding the nature of these business units is contained on pages 13 to 14 within the Strategic report.

Year ended 30 June 2020	Media Networks	Telecoms & M2M	Other	Consolidated
	£m	£m	£m	£m
Revenue (including £225.3m in Telecoms and M2M relating to discontinued operations)	565.8	337.0	-	902.8
Segment result* (EBITDA) (including £131.4m in Telecoms and M2M relating to discontinued operations)	389.2	178.1	(44.3)	523.0
Depreciation and amortisation				(217.6)
Exceptional items				(34.7)
Other income				10.5
Operating profit from discontinued operations				(95.7)
Operating profit from continuing operations				185.5
Finance income				3.0
Finance costs				(703.5)
Other gains and losses				114.7
Loss before tax from continuing operations				(400.3)
Year ended 30 June 2019	Media Networks	Telecoms & M2M	Other	Consolidated
	£m	£m	£m	£m
Revenue (including £263.1m in Telecoms and M2M relating to discontinued operations)	614.5	385.0	-	999.5
Segment result* (EBITDA) (including £134.7m in Telecoms and M2M relating to discontinued operations)	390.0	188.4	(52.0)	526.4
Depreciation and amortisation				(199.9)
Exceptional items				(13.5)
Other income				7.5
Operating profit from discontinued operations				(112.9)
Operating profit from continuing operations				207.6
Finance income				2.7
Finance costs				(651.9)
Other gains and losses				(37.1)
Loss before tax from continuing operations				(478.7)

*Segment result is defined as total operating profit before the items set out below.

EBITDA¹ is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to the operating profit is provided below:

		Year ended 30 June 2020	Year ended 30 June 2019
		£m	£m
Operating profit from continuing operations		185.5	207.6
Depreciation	16	207.2	184.1
Amortisation	15	10.4	15.8
Exceptional items charged to operating profit	7	34.7	13.5
Operating profit from discontinued operations		95.7	112.9
Other income		(10.5)	(7.5)
EBITDA		523.0	526.4

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segmental result represents the EBITDA earned by each segment without allocation of the central

administration costs. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating

resources between segments, the CODM monitors the capital expenditure of property, plant and equipment and intangible assets (presented on a cash basis) planned and utilised by each segment, an analysis of which is shown below.

	Media Networks	Telecoms & M2M	Other*	Consolidated
	£m	£m	£m	£m
Capital expenditure:				
For the year ended 30 June 2020	35.9	34.5	45.0	115.4
For the year ended 30 June 2019	61.1	26.1	35.6	122.8

*Includes maintenance capex which is managed centrally and not allocated to individual business segments.

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £113.3m (2019: £120.3m) and intangible assets of £2.1m (2019: £2.5m) as referred to in the cash flow statement.

¹ EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. The table above reconciles this adjusted profit measure back to operating profit as presented in the income statement.

Geographical information

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers:

	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	Year ended 30 June 2020 Total £m	Year ended 30 June 2019 Continuing operations £m	Year ended 30 June 2019 Discontinued operations £m	Year ended 30 June 2019 Total £m
UK	669.6	225.3	894.9	724.9	263.1	988.0
Rest of European Economic Area (EEA)	6.1	-	6.1	8.1	-	8.1
Rest of World	1.8	-	1.8	3.4	-	3.4
Revenue	677.5	225.3	902.8	736.4	263.1	999.5

The Group holds non-current assets (excluding financial instruments, deferred tax assets and pension surplus) in the following geographical locations:

	30 June 2020 £m	30 June 2019 £m
UK	2,977.2	3,734.6
Rest of European Economic Area (EEA)	1.8	2.3
Rest of World	-	-
	2,979.0	3,736.9

Information about major customers

Included in the revenues arising from Media Networks are revenues of £146.3m (2019: £141.7m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £95.0m (2019: £156.1m) from a major customer.

No other single customers contributed 10% or more to the Group's revenue in the aforementioned financial years.

6 Operating profit

Operating profit for the year has been arrived at after (crediting) / charging:

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Net foreign exchange gains	(0.3)	(0.4)
Research and development costs	5.2	6.1
Depreciation of property, plant and equipment:		
Owned assets	172.9	183.4
Leased assets (2019: Assets held under finance leases)	34.3	0.7
Loss / (profit) on disposal of property, plant and equipment and intangible assets	0.8	(0.1)
Amortisation of intangible assets	10.4	15.8
Grant income	(16.1)	(16.3)
Operating lease rentals	-	67.7
Employee costs (see note 8)	88.1	104.0

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 2020	Group Year ended 30 June 2019
	£m	£m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.4	0.1
Fees payable for the audit of the Company's subsidiaries	0.6	0.4
Other audit fees	0.1	0.1
Non-audit services		
Other assurance services	-	0.3
Other services	0.2	0.1
Total cost of services provided by the Group's Auditors	1.3	1.0

7 Exceptional operating expenses

The Group recognises exceptional items which are considered to be one-off and non-recurring in nature or material items which require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

(Loss)/profit before tax is stated after (charging)/crediting:

	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	Year ended 30 June 2020 Total £m	Year ended 30 June 2019 Continuing operations £m	Year ended 30 June 2019 Discontinued operations £m	Year ended 30 June 2019 Total £m
Operating expenses:						
Reorganisation and severance	(6.8)	-	(6.8)	(13.0)	(0.5)	(13.5)
Corporate finance activities	(8.7)	(19.2)	(27.9)	(1.1)	(0.9)	(2.0)
Profit on disposal of assets	-	-	-	2.0	-	2.0
	(15.5)	(19.2)	(34.7)	(12.1)	(1.4)	(13.5)
Total exceptional items	(15.5)	(19.2)	(34.7)	(12.1)	(1.4)	(13.5)

Reorganisation and severance expenses include costs relating to reorganisation of the Business Unit structure and delivery of the Group's transformation programme. This is a one-off transformation programme that will help Arqiva streamline processes, modernise

IT systems and achieve significant cost efficiencies and savings.

Corporate finance activity costs relate to costs associated with the disposal of the Telecoms business, re-financing activities and one off projects.

The amounts included within exceptional items above are deductible for the purpose of taxation.

8 Employees

The average monthly number of persons (representing 'full-time equivalents') employed by the Group during the year was as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
	Number	Number
UK	1,839	1,979
Non-UK	25	33
Total employees	1,864	2,012

	Year ended 30 June 2020	Year ended 30 June 2019
	Number	Number
Media Networks	1,034	1,166
Telecoms & M2M	395	428
Corporate functions	435	418
Total employees	1,864	2,012

Their aggregate remuneration comprised:

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Wages and salaries	106.6	123.2
Social security costs	12.3	12.9
Other pension costs	8.5	10.0
Total staff costs	127.4	146.1
Own work capitalised	(39.3)	(42.1)
Income statement expense	88.1	104.0

9 Finance income

	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	Year ended 30 June 2020 Total £m	Year ended 30 June 2019 Continuing operations £m	Year ended 30 June 2019 Discontinued operations £m	Year ended 30 June 2019 Total £m
Bank deposits	0.3	-	0.3	0.3	-	0.3
Finance lease interest receivable	-	0.2	0.2	-	0.3	0.3
Other loans and receivables	2.7	-	2.7	2.4	-	2.4
Total finance income	3.0	0.2	3.2	2.7	0.3	3.0

Other loans and receivables includes £0.6m (2019: £0.6m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	Year ended 30 June 2020 Total £m	Year ended 30 June 2019 Continuing operations £m	Year ended 30 June 2019 Discontinued operations £m	Year ended 30 June 2019 Total £m
Interest on bank overdrafts and loans	86.3	-	86.3	89.8	-	89.8
Other loan interest	114.6	-	114.6	121.2	-	121.2
Bank and other loan interest	200.9	-	200.9	211.0	-	211.0
Amortisation of debt issue costs	4.3	-	4.3	8.2	-	8.2
Interest on lease obligations (2019: Interest on obligations under finance leases) (note 25)	9.2	14.6	23.8	0.9	-	0.9
Shareholder loan note interest	465.9	-	465.9	409.7	-	409.7
Other interest	16.3	-	16.3	17.9	-	17.9
Total interest payable	696.6	14.6	711.2	647.7	-	647.7
Unwinding of discount on provisions (see note 27)	6.9	-	6.9	4.2	-	4.2
Total finance costs	703.5	14.6	718.1	651.9	-	651.9

The shareholder loan notes carry fixed interest rates of between 13.0% and 14.0%, payment of which can be deferred at the option of the Group subject to certain conditions, qualification of which are subject to bi-annual review (see note 24).

11 Other gains and losses

	Note	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Foreign exchange loss on financing		(8.1)	(9.1)
Fair value gain/(loss) on derivative financial instruments	26	121.7	(13.7)
Redemption premium on refinancing		-	(14.3)
Other gains/(losses)		113.6	(37.1)
Exceptional profit on close out of inflation linked swaps	26	1.1	-
Exceptional other gains		1.1	-
Total other gains/(losses)		114.7	(37.1)

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 24).

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Group's derivative financial instruments (see note 26). Exceptional profit on close out of inflation linked swaps arises on exit of swaps arrangements as disclosed in note 26.

All other gains and losses in the year ended 30 June 2020 and 30 June 2019 relate to continuing operations.

12 Tax

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
UK corporation tax:		
- Current year	0.5	-
Total current tax	0.5	-
Deferred tax (see note 20):		
- Origination and reversal of temporary differences	30.6	13.4
- Adjustment in respect of prior years	(3.5)	(0.5)
- Impact of rate change	(23.8)	(1.0)
Total deferred tax	3.3	11.9
Total tax charge for the year	3.8	11.9
Income tax expense is attributable to:		
Loss from continuing operations	(9.8)	(6.2)
Profit from discontinued operations	13.6	18.1
Total tax charge for the year	3.8	11.9

UK corporation tax is calculated at a rate of 19.0% (2019: 19.0%) of the taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the loss before tax in the income statement as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Loss before tax	(319.0)	(365.5)
Tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	(60.6)	(69.4)
Tax effect of expenses that are not deductible in determining taxable profit (a)	36.8	26.2
Change in unrecognised deferred tax assets (b)	54.9	56.6
Adjustment in respect of prior years	(3.5)	(0.5)
Impact of change in tax rate	(23.8)	(1.0)
Total tax charge for the year	3.8	11.9

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020, however this reduction was cancelled in Finance Act 2020. UK deferred tax has been valued at 19.0% (30 June 2019: 17.0%) as this is the rate at which the

deferred tax balances are forecast to unwind.

- (a) Expenses that are not deductible in determining taxable profit principally relate to interest payable on shareholder loan notes.
- (b) Change in unrecognised deferred tax assets principally relates to

deferred interest expenses (see note 20).

Tax in Consolidated Statement of Comprehensive Income

There is a tax credit of £2.3m (2019: £0.9m) in respect of the actuarial movement of £11.9m (2019: £5.1m) in the Consolidated Statement of Comprehensive Income.

13 Dividends

	Year ended 30 June 2020		Year ended 30 June 2019	
	£ per share	£m	£ per share	£m
Now Digital (East Midlands) Limited	35.0	0.1	75.0	0.2
Total dividends payable to minority interests		0.1		0.2

The above amounts represent dividends declared to non-controlling interest shareholders by Group companies. No dividends were paid to AGL shareholders.

14 Goodwill

	£m
Cost:	
At 1 July 2018 and 1 July 2019	1,978.8
Assets classified as held for sale	(521.0)
At 30 June 2020	1,457.8
Accumulated impairment losses:	
At 1 July 2018 and 1 July 2019	0.4
At 30 June 2020	0.4
Carrying amount:	
At 30 June 2020	1,457.4
At 30 June 2019	1,978.4

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The CGUs that have associated goodwill are Telecoms & M2M and Media Networks.

These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

As part of the agreed sale of the Telecoms operations, £521.0m of the goodwill held within the Telecoms & M2M CGU is classified as held for sale as at 30 June 2020. The carrying value of goodwill as at the balance sheet date by the principal CGUs is shown as follows:

	30 June 2020 £m	30 June 2019 £m
Media Networks	1,339.6	1,339.6
Telecoms & M2M	117.8	638.8
Total	1,457.4	1,978.4

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations ('VIU'). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external

growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Projected cash flows and the 'recoverable amount'

The value in use of each CGU is determined from the cash flow forecasts derived from the most recent financial forecasts approved by the Board for the next five years. They reflect management's expectations of revenue, EBITDA growth, capital expenditure and working capital based on past experience and future expectations of performance.

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 7.7% (2019: 8.0%). This discount rate does not represent the weighted average cost of capital (WACC) for Arqiva, but instead is an industry and comparative company based capital asset pricing model (CAPM) derived discount rate, utilising current spot rates at the time of calculation.

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the markets in which the CGU operates (2020: 1.4%; 2019: 1.5%). The growth rate has been

benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

There is headroom in all CGUs. No reasonably possible change in the key assumptions would cause the carrying amount of the goodwill by CGU to exceed the recoverable amount based upon the VIU.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2018	15.5	18.7	15.4	98.3	147.9
Additions	-	2.5	-	-	2.5
Transfers from AUC (note 16)	-	(0.4)	-	2.0	1.6
Disposals	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2019	15.5	20.7	15.4	100.2	151.8
Additions	-	1.7	-	-	1.7
Transfers from AUC (note 16)	0.7	1.0	-	6.7	8.4
Disposals	-	(1.0)	-	(1.2)	(2.2)
Assets classified as held for sale (note 22)	(2.5)	-	-	(4.6)	(7.1)
At 30 June 2020	13.7	22.4	15.4	101.1	152.6
Accumulated amortisation					
At 1 July 2018	5.8	5.8	15.4	61.9	88.9
Amortisation	1.3	3.5	-	11.0	15.8
Disposals	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2019	7.1	9.2	15.4	72.8	104.5
Amortisation	1.6	1.6	-	7.2	10.4
Disposals	-	(1.0)	-	(1.2)	(2.2)
Assets classified as held for sale (note 22)	(1.6)	-	-	(4.6)	(6.2)
At 30 June 2020	7.1	9.8	15.4	74.2	106.5
Carrying amount					
At 30 June 2020	6.6	12.6	-	26.9	46.1
At 30 June 2019	8.4	11.5	-	27.4	47.3

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched.

Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2018	337.9	152.6	2,122.6	109.3	2,722.4
Additions	0.1	-	18.9	112.8	131.8
Completion of AUC	4.2	1.2	119.1	(124.5)	-
Transfers to other intangibles (note 15)	-	-	-	(1.6)	(1.6)
Disposals	-	-	(32.1)	-	(32.1)
At 30 June 2019	342.2	153.8	2,228.5	96.0	2,820.5
Recognition of right-of-use asset on initial application of IFRS 16 (note 2)	-	272.4	62.9	-	335.3
Adjusted balance at 1 July 2019	342.2	426.2	2,291.4	96.0	3,155.8
Additions	0.1	131.1	4.4	109.0	244.6
Completion of AUC	4.2	1.9	78.9	(85.0)	-
Transfers to other intangibles (note 15)	-	-	-	(8.4)	(8.4)
Disposals	(0.1)	(0.1)	(52.0)	-	(52.2)
Adjustment to categorisation	12.3	(12.3)	-	-	-
Derecognition of right-of-use assets	(0.1)	-	-	-	(0.1)
Assets classified as held for sale (note 22)	(36.6)	(401.0)	(536.1)	(8.5)	(982.2)
At 30 June 2020	322.0	145.8	1,786.6	103.1	2,357.5
Accumulated depreciation					
At 1 July 2018	42.4	59.6	850.0	-	952.0
Depreciation	6.4	4.7	173.0	-	184.1
Disposals	-	-	(26.7)	-	(26.7)
At 30 June 2019	48.8	64.3	996.3	-	1,109.4
Depreciation	6.1	24.7	176.4	-	207.2
Disposals	(0.1)	-	(52.0)	-	(52.1)
Adjustment to categorisation	12.2	(12.2)	-	-	-
Assets classified as held for sale (note 22)	(9.9)	(35.9)	(336.6)	-	(382.4)
At 30 June 2020	57.1	40.9	784.1	-	882.1
Carrying amount					
At 30 June 2020	264.9	104.9	1,002.5	103.1	1,475.4
At 30 June 2019	293.4	89.5	1,232.2	96.0	1,711.1

Freehold land included above but not depreciated amounts to £179.8m (2019: £179.4m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 24). In addition, the Group's lease obligations (see note 25) are secured by the lessors' title of the leased assets, which have a carrying

amount of £5.9m (2019: £5.2m) included within leasehold buildings.

The carrying value of capitalised interest included within property, plant and equipment was £17.3m (2019: £16.0m).

At 30 June 2020, the Group had entered into contractual commitments for the acquisition of property, plant and

equipment amounting to £15.6m (2019: £26.4m) – see note 29 for further details.

Previously Included within plant and equipment were telecommunications assets initially recognised on a fair value basis at a value of £61.4m and accumulated depreciation of £15.4m. During the year ended 30 June 2020 these assets were classified as held for sale.

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see note 4 to the Company financial statements on page 140) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
<i>Joint ventures</i>					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
<i>Associate undertakings:</i>					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
UK Digital Radio Limited	United Kingdom	Support delivery of a digital future for radio	55 New Oxford Street, 6th Floor, London, WC1A 1BS	31-Mar	10.0%

Share of results of associates and joint ventures was £nil (2019: £nil) for the year with the interest in associates and joint ventures being £0.1m (2019: £0.1m).

There are no other associates or joint ventures that are considered

material, either individually or in aggregate, to the Group's position or performance.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe

that the carrying values of the investments are supported by the underlying trade and net assets. Transactions with associates and joint ventures in the year are disclosed in note 31.

18 Trade and other receivables

	30 June 2020	30 June 2019
	£m	£m
Trade and other receivables		
Trade receivables	72.0	94.4
Other receivables	6.6	5.6
Prepayments	60.5	91.2
Amounts receivable from finance lease arrangements (see note 19)	-	1.7
	139.1	192.9
Contract assets – accrued income	64.6	70.1

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2020	30 June 2019
	£m	£m
Up to 30 days overdue	6.9	5.4
Up to 90 days overdue	6.3	3.1
Between 91 and 150 days overdue	1.7	0.9
More than 150 days overdue	0.3	-
	15.2	9.4

Trade receivables and contract assets are stated after deducting allowances for doubtful debts, as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Allowance at 1 July	6.9	7.4
Amounts utilised	(1.2)	(0.7)
Provided during the year	0.8	0.2
Allowance at 30 June	6.5	6.9

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets.

To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped

based on similar credit risk aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the five year period

prior to the period end. The historical loss rates are then considered for current and forward-looking information on macroeconomic factors affecting the Group's customers. No adjustments were made to the expected loss rates applied for the current year.

The groups' expected loss rate for receivables is 0.4% (2019: between 0.4% and 1.3%). At 30 June 2020 the lifetime expected loss provision for trade receivables and contract assets is as follows:

	Current	Up to 30 days overdue	Up to 90 days overdue	Between 91 and 150 days overdue	More than 150 days overdue	Total
	£m	£m	£m	£m	£m	£m
Gross carrying amount						
- Trade receivables	68.4	7.0	3.4	2.0	4.4	85.2
- Contract assets	85.7	-	-	-	-	85.7
Loss provision - Expected	0.7	-	-	-	-	0.7
Loss provision - Specific	0.2	-	0.6	1.0	4.0	5.8
	0.9	-	0.6	1.0	4.0	6.5

£0.3m (2019: £0.3m) of the £6.5m (2019: £6.9m) lifetime expected loss provision relates to the contract assets.

In addition to the expected credit loss model, the Group's policy is to also consider a specific provision for trade receivables outstanding for more than 30 days beyond the agreed terms, or

where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

In determining the recoverability of a trade receivable the Group considers

any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality. For further information on how the Group manages credit risk see note 26.

19 Finance lease receivables

	30 June 2020	30 June 2019
	£m	£m
Gross amounts receivable under finance leases:		
Within one year	-	0.5
In the second to fifth years inclusive	-	1.5
After five years	-	0.2
	-	2.2
Less: unearned finance income	-	(0.5)
Present value of minimum lease payments receivable	-	1.7
Net amounts receivable under finance leases:		
Within one year	-	0.3
In the second to fifth years inclusive	-	1.2
After five years	-	0.2
Present value of minimum lease payments receivable	-	1.7
Analysed as:		
Non-current finance lease receivables	-	1.4
Current finance lease receivables	-	0.3
Total finance leases	-	1.7

The Group's finance lease receivable arrangements were classified as held for sale, see note 22 for further information. The average outstanding term of finance leases entered in to is 3.8 years at 30 June 2020 (2019: 4.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2020 is £169.0m (2019: £198.5m). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses	Fixed asset temporary differences	Derivative financial instruments	Other temporary differences	Total
	£m	£m	£m	£m	£m
At 1 July 2018	15.8	34.3	152.5	10.4	213.0
(Charged) / credited to the income statement	(0.8)	(9.4)	1.5	(2.1)	(10.8)
At 30 June 2019	15.0	24.9	154.0	8.3	202.2
Credited / (charged) to the income statement	3.8	44.2	(50.6)	0.9	(1.7)
Assets held for sale (note 22)	-	(28.5)	-	-	(28.5)
At 30 June 2020	18.8	40.6	103.4	9.2	172.0

Deferred tax liabilities	Retirement benefits	Total
	£m	£m
At 1 July 2018	3.5	3.5
Charged to the income statement	1.1	1.1
Credited to statement of comprehensive income	(0.9)	(0.9)
At 30 June 2019	3.7	3.7
Charged to the income statement	1.6	1.6
Credited to statement of comprehensive income	(2.3)	(2.3)
At 30 June 2020	3.0	3.0

Deferred tax has been measured at the UK corporation tax rate of 19.0% (2019: 17.0%); the rate substantively enacted at the balance sheet date at which the deferred tax is expected to reverse. The anticipated reduction of the tax rate to 17% with effect from 1 April 2020 was cancelled by legislation substantively enacted in March 2020. The impact of this rate change on the income statement is shown in Note 12.

Temporary differences arising in connection with unremitted earnings of overseas subsidiaries and interests in associates are insignificant.

There is an unrecognised deferred tax asset of £272.9m (2019: £200.2m). This is in respect of tax losses of £72.4 (2019: £65.2m) and deferred interest expenses £200.5m (2019: £135.0m). These deferred tax assets may be carried forward indefinitely. These assets have not been recognised since it is not

probable that these assets will be able to be utilised against future taxable profits of the Group. The forecasts used for deferred tax asset recognition are the same as those used in the Group's impairment testing.

The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

21 Cash and cash equivalents

	30 June 2020	30 June 2019
	£m	£m
Cash at bank	80.1	9.2
Short term deposits	30.0	11.1
Total cash and cash equivalents	110.1	20.3

22 Disposal group held for sale and discontinued operations

On 8 October 2019, management committed to a plan for the sale of its telecoms infrastructure and related assets at an enterprise value of £2.0bn. Accordingly, the telecoms business is presented as a disposal

group held for sale. The process for selling the disposal group completed on 8 July 2020.

The Telecoms business was not previously classified as held-for-sale

or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been represented to show the discontinued operation separately from continuing operations.

	30 June 2020
	£m
Goodwill	521.0
Other intangible assets	0.9
Property, plant and equipment	599.8
Trade and other receivables	15.9
Contract assets	20.2
Cash and cash equivalents	0.1
Deferred tax	28.5
Assets held for sale	1,186.4
Lease liabilities	(233.5)
Trade and other payables	(37.2)
Contract liabilities	(129.6)
Provisions	(29.3)
Liabilities directly associated with assets held for sale	(429.6)

Result of discontinued operations

The results of the discontinued operations are disclosed in the Income Statement.

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	30 June 2020	30 June 2019
	£m	£m
Operating activities	105.0	110.7
Investing activities	(3.8)	(6.5)
Financing activities	(66.0)	-
Net cash from discontinued operations	35.2	104.2

23 Trade and other payables

	30 June 2020	30 June 2019
	£m	£m
Current		
Trade and other payables		
Trade payables	41.9	50.0
Taxation and social security	54.8	20.1
Other payables	6.9	5.9
Accruals	174.0	100.3
	277.6	176.3
Contract Liabilities – deferred income	96.6	182.1
Non-current		
Contract Liabilities – deferred income	232.9	287.2

24 Borrowings

	Denominated currency	30 June 2020 £m	30 June 2019 £m
Within current liabilities:			
Lease liabilities (2019: Finance lease obligations) (see note 25)	Sterling	21.7	0.8
Bank loans			
- Senior debt	Sterling	-	20.0
- Other facilities	Sterling	0.8	-
Bank facility	Sterling	350.0	35.0
Senior bonds, notes and private placements	Sterling	72.7	413.8
	US Dollar	46.7	29.6
Accrued interest on junior and senior financing ¹	Sterling	9.6	14.9
Accrued interest on shareholder loan notes ²	Sterling	1,714.3	1,248.4
Borrowings due within one year		2,215.8	1,762.5
Within non-current liabilities:			
Bank loans		396.2	382.4
- Senior debt	Sterling	370.0	370.0
- Issue costs	Sterling	(1.0)	(1.7)
- Other facilities	Sterling	27.2	14.1
Bank facility	Sterling	200.0	-
Other loans		1,861.6	1,970.3
- Senior bonds, notes and private placements	Sterling	1,043.3	1,116.0
	US Dollar	204.3	242.8
- Junior bonds	Sterling	625.0	625.0
- Issue costs	Sterling	(11.0)	(13.5)
Shareholder loan notes	Sterling	2,148.1	2,148.1
Lease liabilities (2019: Finance lease obligations) (see note 25)	Sterling	101.2	11.6
Borrowings due after more than one year		4,707.1	4,512.4
Analysis of total borrowings by currency:			
Sterling		6,671.9	6,002.5
US Dollar		251.0	272.4
Total borrowings		6,922.9	6,274.9

Included within the £6,922.9m (2019: £6,274.9m) are debt issue costs of £12.0m (2019: £15.2m). Total borrowings excluding these amounts are £6,934.9m (2019: £6,290.1m), which comprise debt principal and interest, the maturity of which is included in the table below.

¹ The balance at 30 June 2020 includes £1.8m (2019: £7.6m) interest receivable under swap arrangements associated with the underlying financing.

² Interest payments on shareholder loan notes have been deferred as disclosed within section (i) on page 118.

	30 June 2020	30 June 2019
	£m	£m
Borrowings falling due within:		
One year	2,215.8	1,762.5
One to five years ¹	3,983.2	1,524.4
More than five years	735.9	3,003.2
Total	6,934.9	6,290.1

The weighted average interest rate of borrowings (excluding shareholder interest as described above) is 6.42% (2019: 7.29%).

Bank loans form part of the Group's **senior debt**. **Other loans** comprise the Group's **senior bonds and notes** and **junior bonds**.

A summary of the movement in borrowings during the financial year is given below:

Borrowings:	Reference	At 1 July 2019	Leases recognised	Amounts drawn down	Amounts repaid	Revaluations	At 30 June 2020
		£m	£m	£m	£m	£m	£m
Bank loans – capex and working capital facility	(a)	35.0	-	515.0	-	-	550.0
Senior debt – institutional term loan	(b)	180.0	-	-	-	-	180.0
Senior debt – European Investment Bank	(c)	190.0	-	-	-	-	190.0
Senior debt – bank term loan	(d)	20.0	-	-	(20.0)	-	-
Other facilities	(e)	14.1	-	13.9	-	-	28.0
Senior bonds, notes and US private placement	(f)	1,802.2	-	-	(443.5)	8.3	1,367.0
Junior bonds	(g)	625.0	-	-	-	-	625.0
Total bank loans and private placements		2,866.3	-	528.9	(463.5)	8.3	2,940.0
Lease liabilities (2019: Finance lease obligations) (note 25)	(h)	12.4	110.5	-	-	-	122.9
Shareholder loan notes	(i)	2,148.1	-	-	-	-	2,148.1
Total borrowings excluding accrued interest		5,026.8	110.5	528.9	(463.5)	8.3	5,211.0

The Group's borrowings outlined in the table above incorporate:

(a) capital expenditure and working capital facilities (2020: £550.0m outstanding; 2019: £35.0m), of which £350.0m has an expected maturity date of March 2021. The remaining £200.0m matures over a period to March 2025. All three facilities are floating rate in nature with a margin over LIBOR of between 145 and 180 bps. Arqiva Financing No1 Limited

('AF1') is the borrower under all of these arrangements.

The Group has £250.0m (2019: £605.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 26.

(b) an institutional term loan (2020: £180.0m outstanding; 2019: £180.0m) with an expected maturity date of December 2023.

(c) a loan from the European Investment Bank (2020: £190.0m outstanding; 2019: £190.0m) with an expected maturity date of June 2024.

(d) a bank term loan (2020: £nil outstanding; 2019: £20.0m) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available). The final payment of £20.0m was made in December 2019.

¹ At 30 June 2020 this category includes £2,148.1m (2019: £2,148.1m) shareholder loan notes repayable between September 2024 and September 2025.

(e) financing facilities in Arqiva Smart Financing Limited (a Group company) established in December 2013 that support the Group's smart energy metering contracts by financing the purchase of communication hubs.

This £30m facility matures in June 2028 and £27.2m was drawn at the end of June 2020 (June 2019: £12.8m). There is also an associated £1.6m fee facility that matures by June 2021 which was £0.8m drawn as at June 2020 (June 2019: £1.3m). These loans have floating rates of interest with margins ranging from LIBOR + 1.20% to 2.50%.

(f) a combination of publicly listed bonds and US private placement notes.

As at 30 June 2020, the Group has £497.3m (2019: £874.0m) sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34% (2019: 4.04% and 5.34%). These bonds are repayable between December 2020 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds. In June 2020, the Group repaid in full the 4.04% Senior Bonds issued for £350.0m.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £478.5m (2019: £498.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2020 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

In addition, the Group has issued £391.2m (2019: £429.8m) of fixed rate US private placements in sterling and US dollar denominated notes. At the hedged rate these are valued at £342.7m (2019: 384.6m). These notes have fixed interest rates which range between 4.10% and 4.42% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £584.8m (2019: £965.7m) whilst their carrying value was £497.3m (2019: £874.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £445.6m (2019: £456.1m) whilst their carrying value was £391.2m (2019: £429.8m).

The remaining £478.5m (2019: £498.5m) of senior debt relates to other unquoted borrowings.

The directors consider the fair value of all other un-quoted borrowings to be a close approximate to their carrying amount.

(g) Junior bonds of £625.0m represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 6.75% and are repayable in September 2023. 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.

The fair value of the quoted junior bonds based upon observable market prices (fair value hierarchy level 1) was £650.2m (2019: £673.2m) whilst their carrying value was £625.0m (2019: £625.0m).

(h) Obligations under finance leases are as defined within note 25.

(i) Shareholder loan notes which are unsecured, are listed on the Channel Islands Stock Exchange, are repayable between September 2024 and September 2025, and cannot be called upon early. The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% applicable to the capital and un-paid interest which can be deferred at the option of the Group subject to certain conditions, qualification of which are subject to bi-annual review, applicable to the capital and unpaid interest. The Group has exercised this option to defer interest payments since 2009.

The Group's senior bonds and notes are structured within a Whole Business Securitisation package (WBS). These instruments have covenants attached, principally an interest cover ratio and a debt leverage ratio. The Group continues to comply with all covenant requirements.

There have been no breaches of the terms of the loan agreements during the current or previous year. The value of the interest deferred on the shareholder loan notes at 30 June 2020 was £1,714.3m (2019: £1,248.4m).

Subsequent to the financial statements date of 30 June 2020 - in July 2020 - the Group made further repayments of borrowings as disclosed in note 32.

25 Leases

Leases as lessee (IFRS 16)

The group holds lease arrangements primarily relating to land and buildings, circuit contracts and vehicles.

Right-of-use assets

Right-of-use assets related to leased properties and land (other than investment property) are presented as plant and equipment. Plant and equipment leases relate to the use of fibre, other fixed telecommunications lines, and IT equipment.

	Leasehold buildings £m	Plant and equipment £m	Total £m
Balance at 1 July 2019	277.0	63.6	340.6
Depreciation charge for the year	(19.5)	(14.8)	(34.3)
Additions to right-of-use assets	7.7	-	7.7
Effect of modification to lease terms	99.3	2.2	101.5
Derecognition of right-of-use assets	(0.1)	-	(0.1)
Right-of-use assets held for sale (note 22)	(296.1)	-	(296.1)
Balance at 30 June 2020	68.3	51.0	119.3

Amounts recognised in the Income Statement

Leases under IFRS 16	Year ended 30 June 2020
	£m
Expense relating to variable lease payments not included in the measurement of lease liabilities	11.2
Interest on lease liabilities	23.8

Operating leases under IAS17	Year ended 30 June 2019
	£m
Lease expense	67.7

Amounts recognised in the Cashflow Statement

	Year ended 30 June 2020
	£m
Total cash outflow for leases	95.4

The Group's lease liabilities are disclosed in note 24 Borrowings. The maturity profile of the Group's lease liabilities are disclosed in note 26 Financial instruments and risk management.

26 Financial instruments and risk management

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (as set out in note 28; see note 21 for cash and cash equivalents and note 24 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

Levels of debt are maintained on an ongoing basis to ensure that no breaches occur and repayments can be and are made as necessary with refinancing carried out as required.

Significant accounting policies

Details of significant accounting policies and methods adopted (including criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in full in note 3.

The Group's derivatives (i.e. interest rate swaps and cross-currency swaps) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement within 'other gains and losses'. Net amounts paid in the year

(excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs.

Financial risk management

The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so.

The treasury function reports directly into the Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- Interest rate swaps, including inflation-linked interest rate swaps, to mitigate the risk of movement in interest rates;
- Cross-currency swaps to mitigate the risk of currency exposures on foreign denominated borrowings; and
- Forward foreign exchange contracts to manage exchange risks arising from transactional foreign exchange exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management

The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly US dollars ('USD') and Euro), the majority of the Group's revenue and costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

Foreign currency exchange risk can be subdivided into two components, transactional risk and translation risk:

Transactional risk: The Group's policy is to hedge material transactional currency exposures via the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group-wide basis.

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only 0.3% (2019: 0.7%) of operating profit and 0.1% (2019: 0.1%) of total assets for the Group.

The Sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged currency and US dollar denominated borrowings) at the year end were as follows:

	30 June 2020	30 June 2019
	£m	£m
Monetary assets:		
- US Dollar	4.3	3.0
- Euro	12.1	12.3
- Other (including SGD*)	1.5	1.4
Total	17.9	16.7
Monetary liabilities:		
- US Dollar	(1.2)	(0.3)
- Euro	(7.1)	(4.2)
Total	(8.3)	(4.5)

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

During the year cross currency swaps (nominal value 2020: USD 307.9m; 2019: USD 345.5m) were used to fix the exchange rate to \$1.52/£1 in relation to US dollar-denominated senior notes (nominal value 2020: USD 307.9m; 2019: USD 345.5m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations, and as such, there are no material sensitivities on these hedged amounts.

The remaining unhedged currency amounts do not expose the Group to material residual exposure to exchange rates. Accordingly, no sensitivity analysis has been presented.

Interest rate risk management

The Group has variable rate bank and US private placement debt and uses interest rate swaps ('IRS') and inflation-linked swaps ('ILS') 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. The Group has fixed rate hedging, split between IRS and ILS. IRS convert variable rate interest costs to fixed rate interest costs while ILS convert fixed or variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a portion of the Group's revenue contracts. These swaps are entered into on terms (including maturity) that mirror the debt instrument they hedge, and

therefore act as an effective economic hedge.

As the Group uses hedging to maintain fixed interest rates on all of its material borrowings (excluding revolving facilities), there is minimal exposure on the interest expense to interest rate movements. A rise or fall in interest rates would therefore not materially impact the interest expense payable by the Group.

Liquidity risk management

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.

Credit risk management

The Group carefully manages the counterparty 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 ongoing 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.

The Group is exposed to credit risk on customer receivables, which is managed through 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. Expected impairment for trade receivables are calculated based on historical default rates. Details of this provision are shown in note 18.

The Group is due to repay or refinance £4.4bn of debt in the next 5 years to 30 June 2025. Regular reviews are performed to assess headroom between interest and capital repayments against forecast cash flows, thus monitoring the liquidity risk and the Group's ability to repay the debt.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities.

The amounts presented in respect of the non-derivative financial liabilities represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position.

The amounts presented in respect of the Group's derivative financial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

30 June 2020	Amounts falling due					Effect of discounting	Interest to be incurred in future periods	Total financial liability per statement of financial position
	Within one year	Between one and two years	Between two and five years	After five years	Total			
	£m	£m	£m	£m	£m	£m	£m	£m
Trade payables	41.9	-	-	-	41.9	-	-	41.9
Provisions	2.4	3.1	11.8	192.5	209.8	(128.7)	-	81.1
Borrowings*	470.2	151.5	3,763.2	703.2	5,088.1	-	-	5,088.1
	514.5	154.6	3,775.0	895.7	5,339.8	(128.7)	-	5,211.1
Lease liabilities	21.7	19.3	49.3	32.6	122.9	-	-	122.9
Interest on borrowings**	102.2	96.2	175.0	102.5	475.9	-	(466.3)	9.6
Interest on shareholder loan notes***	-	-	1,714.3	-	1,714.3	-	-	1,714.3
Interest rate swaps	54.7	54.0	114.8	50.8	274.3	(12.8)	-	261.5
Inflation linked interest rate swaps	45.4	71.7	251.6	179.2	547.9	(40.1)	-	507.8
Cross-currency swaps	(10.5)	(10.1)	(31.2)	-	(51.8)	1.2	-	(50.6)
	89.6	115.6	335.2	230.0	770.4	(51.7)	-	718.7
Total financial liability	728.0	385.7	6,048.8	1,260.8	8,423.3	(180.4)	(466.3)	7,776.6

*Borrowings are presented as per note 24 but excluding accrued interest and lease liabilities, which are presented separately in these tables.

**Excludes accrued interest on shareholder loan notes for which interest payments can be deferred at the option of the Group.

*** Repayment of interest payments has been deferred since 2009 as detailed in note 24.

30 June 2019	Amounts falling due					Effect of discounting	Interest to be incurred in future periods	Total financial liability per statement of financial position
	Within one year	Between one and two years	Between two and five years	After five years	Total			
	£m	£m	£m	£m	£m	£m	£m	£m
Trade payables	50.0	-	-	-	50.0	-	-	50.0
Provisions	8.0	0.8	1.6	178.3	188.7	(107.7)	-	81.0
Borrowings*	499.7	118.0	1,401.8	2,995.1	5,014.6	-	-	5,014.6
	557.7	118.8	1,403.4	3,173.4	5,253.3	(107.7)	-	5,145.6
Finance lease obligations	0.8	1.6	1.8	8.1	12.3	-	-	12.3
Interest on borrowings**	125.8	107.0	255.9	142.6	631.3	-	(616.4)	14.9
Interest rate swaps	51.8	49.9	129.3	65.5	296.5	(20.6)	-	275.9
Inflation linked interest rate swaps	139.8	98.6	330.8	350.1	919.3	(151.9)	-	767.4
Cross-currency swaps	(5.2)	(9.2)	(25.5)	(10.6)	(50.5)	9.0	-	(41.5)
	186.4	139.3	434.6	405.0	1,165.3	(163.5)	-	1,001.8
Total financial liability	870.7	366.7	2,095.7	3,729.1	7,062.2	(271.2)	(616.4)	6,174.6

* Borrowings are presented as per note 24 but excluding accrued interest and finance lease obligations, which are presented separately in these tables.

**Excludes accrued interest on shareholder loan notes for which interest payments can be deferred at the option of the Group.

The table below outlines the additional financing facilities available to the Group:

	30 June 2020	30 June 2019
	£m	£m
Secured bank facilities:		
- Amount utilised	550.0	35.0
- Amount unutilised	250.0	605.0
Total	800.0	640.0

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Financial instruments

With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the Group's financial assets and financial liabilities are recognised and measured following the loans and receivables recognition category.

The weighted average interest rate of fixed rate financial liabilities at 30 June 2020 for the next 12 months was 5.6% (2019: 5.3%) and the weighted average period of funding was 4.7 years (2019: 4.6 years).

Within the Group's financial liabilities were borrowings of £6,922.9m (2019: £6,274.9) (see note 24), which includes £1,426.6m (2019: £937.6m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £110.1m (2019: £20.3m) and loans and receivables of £141.9m (2019:

£192.9m) as presented in notes 21 and 18 respectively.

Derivative financial instruments

The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the year end, the Group held interest rate swaps with notional amounts of £848.5m (2019: £873.5m) which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.8% (2019: 6.8%). The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 24).

The Group has also entered into index linked swaps (notional amounts of £1,062.7m in 2020; 2019: £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.9% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2020 (£48.8m; 2019: £44.3m).

All of these instruments have a maturity date of April 2027; except for a notional amount of £176.0m which have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,062.7m (2019: £1,312.5m) of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 307.9m (2019: USD 345.5m) of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2020 is a liability of £718.7m (2019: £1,001.8m). This fair value is calculated using a risk-adjusted discount rate.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2020	30 June 2019
	£m	£m
Interest rate swaps	(261.5)	(275.9)
Inflation-linked interest rate swaps	(507.8)	(767.4)
Cross-currency swaps	50.6	41.5
Total	(718.7)	(1,001.8)
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	124.4	(7.9)
- Attributable to changes in perceived credit risk	(2.7)	(5.8)
Total gain / (loss) recognised in the income statement	121.7	(13.7)
Cash settlement of principal accretion on inflation-linked swaps	48.8	44.3
Accrued settlement on close out of inflation linked swaps	116.5	-
Cash inflow on redemption of swaps	(5.0)	(1.6)
Exceptional gain recognised on close out of inflation linked swaps	1.1	-
Total change in fair value	283.1	29.0

On 30 June 2020 the Group exited from a number of inflation linked swap agreements linked to the £350.0m bond repaid on the same date. Settlement has been accrued to be paid in the next financial year, with the exceptional gain upon exit of £1.1m being recognised through profit or loss.

Subsequent to the financial statements date of 30 June 2020 - in July 2020 - the Group exited from further swap agreements as disclosed in note 32.

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

The fair value of all other financial assets and liabilities is considered to be a close approximation to their carrying amount.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps and cross-currency swaps (as disclosed above) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest/ inflation/ exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

27 Provisions

	Decommissioning	Restructuring	Remediation	Other	Total
	£m	£m	£m	£m	£m
At 1 July 2019	68.6	3.7	5.3	3.4	81.0
Income statement expense	0.6	0.4	-	3.3	4.3
Additions created through property, plant and equipment	23.4	-	-	-	23.4
Unwind of discount	6.4	-	0.3	-	6.7
Released	(0.3)	-	(0.1)	(1.1)	(1.5)
Utilised	(0.1)	(3.2)	(0.2)	-	(3.5)
Liabilities directly classified as assets held for sale (note 22)	(29.1)	-	(0.2)	-	(29.3)
At 30 June 2020	69.5	0.9	5.1	5.6	81.1

	30 June 2020	30 June 2019
	£m	£m
Analysed as:		
Current	2.4	6.2
Non-current	78.7	74.8
	81.1	81.0

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision is in relation to assets of

which the remaining useful economic life ranges up to 18 years.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group and transformation costs.

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 one to ten years.

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

28 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Operating profit	281.2	320.5
Adjustments for:		
Depreciation of property, plant and equipment	207.2	184.1
Amortisation of intangible assets	10.4	15.8
Loss/(profit) on disposal of property, plant and equipment	0.8	(0.1)
Other income	(10.5)	(7.5)
Share of results of associates and joint ventures	-	-
Operating cash flows before movements in working capital	489.1	512.8
(Increase)/decrease in receivables	(15.9)	41.5
Increase/(decrease) in payables	16.5	(87.5)
(Decrease)/increase in provisions	(0.8)	4.4
Cash generated from operating activities	488.9	471.2
Taxes paid	0.1	(0.1)
Net cash from operating activities	489.0	471.1

Analysis of changes in financial liabilities:

	At 1 July 2019	Changes in financing cash flows (Cash)	Changes in foreign exchange (Non-cash)	Changes in fair value (Non-cash)	Other changes including accrued interest (Non-cash)	At 30 June 2020
	£m	£m	£m	£m	£m	£m
Current borrowings (Note 24)	500.5	(242.7)	-	-	234.1	491.9
Non-current borrowings (Note 24)	4,512.4	213.1	8.3	-	(26.7)	4,707.1
Accrued interest on borrowings (Note 24)	1,263.3	(209.8)	-	-	670.4	1,723.9
Derivative financial instrument Liabilities (Note 26)	1,001.8	(43.8)	-	(121.7)	(117.6)	718.7
Total	7,278.0	(283.2)	8.3	(121.7)	760.2	7,641.6

The movements above do not include issue costs associated with entering the borrowing arrangements (see note 24).

29 Financial commitments and contingent liabilities

Financing commitments

Under the terms of the Group's external debt facilities, the Group has provided security over substantially all of its assets by way of a Whole Business Securitisation structure.

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 2020 £m	30 June 2019 £m
Within one year	15.1	25.7
Within two to five years	0.5	0.7
Total capital commitments	15.6	26.4

Operating leases

The Group leases land, buildings and other infrastructure locations. From 1 July 2019, the Group has recognised right-of-use assets for these leases, see note 25 for further information.

Future minimum operating lease payments for the Group in relation to these non-cancellable operating leases fall due as follows:

	30 June 2020 £m	30 June 2019 £m
Within one year	-	48.0
Within two to five years	-	119.5
After five years	-	76.8
Total future minimum operating lease payments	-	244.3

Other annual lease commitments fall due:

	30 June 2020 £m	30 June 2019 £m
Within one year	-	1.2
Within two to five years	-	1.8
Total future minimum operating lease payments	-	3.0

In addition, the Group has various service supply agreements for circuits connectivity which amount to £nil per annum (2019: £24.0m).

30 Retirement benefits

Defined contribution scheme

Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £8.5m (2019: £10.0m). The assets of the Scheme are held outside of the Group.

An amount of £1.2m (2019: £1.3m) is included in accruals being the

outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan

In the year to 30 June 2020, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The Trustees of the Plan are

required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The Trustees are responsible for the investment policy with regards the assets of the Plan.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 18 years.

The most recent triennial actuarial funding valuation of the Plan assets

and the present value of the defined benefit liability was carried out as at 30 June 2017 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit

credit method based on roll-forward updates to the latest triennial valuation figures. The triennial valuation as at 30 June 2020 has commenced but is not expected to be completed until 2021.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2020	30 June 2019
Key assumptions		
Discount rate	1.50%	2.40%
Price inflation (RPI)	2.80%	3.20%
Life expectancy of a male / female age 60 (current pensioner)	26.2yrs / 28.3yrs	26.0yrs / 28.1yrs
Life expectancy of a male / female age 60 (future pensioner)	27.7yrs / 29.9yrs	27.6yrs / 29.7yrs
Other linked assumptions		
Price inflation (CPI)	2.00%	2.10%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.50%	3.70%
Pension increases (RPI with a maximum of 10%)	2.80%	3.20%
Salary growth	n/a	n/a

Amounts recognised in the consolidated income statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Components of defined benefit costs recognised in profit or loss	0.6	0.6
	0.6	0.6

The net interest item above has been included within finance income (see note 9). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Return on Plan assets excluding Interest Income	18.9	20.2
Experience gains arising on the Plan's liabilities	2.2	0.2
Actuarial losses arising from changes in financial assumptions	(32.2)	(24.8)
Actuarial losses arising from changes in demographic assumptions	(0.8)	(0.7)
	(11.9)	(5.1)

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan was as follows:

	30 June 2020 £m	30 June 2019 £m
Fair value of Plan assets	282.9	259.4
Present value of defined benefit Plan liabilities	(266.8)	(237.4)
Surplus at 30 June	16.1	22.0

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Surplus at 1 July	22.0	20.6
Amount recognised in profit or loss	0.6	0.6
Amount recognised in Other Comprehensive Income	(11.9)	(5.1)
Company contributions	5.4	5.9
Surplus at 30 June	16.1	22.0

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
1 July	(237.4)	(218.4)
Contributions by employees	(0.4)	(0.9)
Interest cost	(5.6)	(5.9)
Benefits paid	7.4	13.1
Experience gains arising on the Plan's liabilities	2.2	0.2
Actuarial losses arising from changes in financial assumptions	(32.2)	(24.8)
Actuarial losses arising from changes in demographic assumptions	(0.8)	(0.7)
30 June	(266.8)	(237.4)

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
1 July	259.4	239.0
Interest income	6.2	6.6
Return on Plan assets excluding interest income	18.9	20.1
Contributions by employer	5.4	5.9
Contributions by employees	0.4	0.9
Benefits paid	(7.4)	(13.1)
30 June	282.9	259.4

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2020 £m	30 June 2019 £m
Equity instruments	75.8	92.1
Diversified growth funds	19.8	19.4
Corporate bonds	13.8	19.7
Multi asset credit	18.1	-
Government bonds	94.9	127.7
Cash and equivalents	0.5	0.5
Total	282.9	259.4

All of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the funding valuation as at 30 June 2017, Arqiva Limited agreed to pay deficit contributions of £3.4m in October 2018, £5.4m in July 2019, with a further £5.4m due by 31 July 2020. It is anticipated that a revised Schedule of Contributions will be agreed

between the Trustees and the Company as part of the triennial actuarial valuation as currently being undertaken as at 30 June 2020.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2020 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
Increase in Plan liabilities	£5.9m	£5.9m	£9.2m

The sensitivity of the 2019 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
Increase in Plan liabilities	£5.0m	£3.5m	£7.8m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with the Group's pension scheme are disclosed in note 30.

Transactions between the Group and

its associates, joint ventures and entities under common influence are disclosed below.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at

the reporting date reflects related party relationships at that date.

Trading transactions

During the year ended 30 June 2020 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Associates	-	-	5.6	6.3
Joint ventures	4.3	3.9	2.5	2.5
Entities under common influence	1.1	-	-	-
	5.4	3.9	8.1	8.8

All transactions are on third-party terms and all outstanding balances, are interest free, unsecured and are not subject to any financial guarantee by either party.

As at 30 June 2020, the amount receivable from associates was £0.5m (2019: £0.3m) and the amount payable

to associates was £0.4m (2019: £0.4m).

As at 30 June 2020 the amount payable to joint ventures was £0.9m (2019: £0.2m).

As at 30 June 2020, the amount receivable from entities under

common influence was £1.8m (2019: £nil)

Remuneration of Directors and key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Short-term employee benefits	5.7	4.6
Termination benefits	0.7	0.9
Post-employment benefits	0.2	0.2
	6.6	5.7

There are no members of the Directors and key management personnel (2019: one) who are a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in

connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 138.

Investor transactions

There are two investor companies, FICAL and MEIF II, which are related parties with the Group in accordance with IAS 24, by virtue of significant shareholding in the Group. Refer to the Directors' report for further details of these investor companies.

30 June 2020	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	12.8	626.6	9.3	1,208.4
Shareholder loan note interest for the year	2.4	118.6	4.0	228.8
Accrued shareholder loan note interest	7.1	355.9	24.1	686.5

* A related party by virtue of common influence.

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2020).

30 June 2019	MGIF II *	MEIF II +	Macquarie Prism *	FICAL +
	£m	£m	£m	£m
Shareholder loan notes	12.8	626.6	9.3	1,208.4
Shareholder loan note interest for the year	2.0	104.3	3.6	201.2
Accrued shareholder loan note interest	4.7	237.3	20.1	457.7

* A related party by virtue of common influence.

+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2020).

32 Events after the reporting period

On 8 July 2020, Arqiva successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. The transaction comprises the divestment of c.7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In the execution of the agreement, the Group has sold six subsidiaries, the largest being Arqiva Services Limited.

Proceeds from the transaction were received on 8 July 2020, at the point of

legal completion of the sale. Based upon estimated completion costs, trading results to the date of sale and finalisation of the working capital completion mechanism it is estimated that the Group will record a profit on the disposal of this business of circa £880m against the book value of assets and liabilities that were recorded as held for sale at 30 June 2020. The disposal will qualify for the UK's substantial shareholding exemption and the gain on disposal will therefore not be taxable.

The proceeds have been utilised to repay debt and related swap derivatives deleveraging the Group. Post year end the Group has repaid £440.0m of bank facilities, £108.0m senior debt and £515.0m private placements (net of cross-currency swap gains) held at the balance sheet date. The Group has also made payments of £566.0m to partially pay down IRS and ILS swaps and all of the cross-currency swaps held at year end.

33 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.

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

Directors' report for Arqiva Group Limited ('the Company')

The Directors of Arqiva Group Limited, registered company number 05254001, ('the Company') submit the following annual report and financial statements in respect of the year ended 30 June 2020.

The Directors are responsible for the preparation of the financial statements as explained in the Statement of Directors' Responsibilities, set out on page 66.

Business review and principal activities

The Company acts as an ultimate holding company of the Arqiva Group Limited ('AGL') group ('the Group') of companies.

The Company has made a loss for the financial year of £127.1m (2019: £1,640.8m) and has net liabilities of £10.7m (2019: net assets of £116.4m).

The loss in the year relates primarily to the impairment of the Company's investment in Arqiva Financing No. 3 Plc, detailed on page 146.

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company, the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 47 to 51.

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 27 and 28.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2019: nil). The loss for the financial year £127.1m (2019: £1,640.8m) was charged to reserves.

Financial risk management

Due to the straightforward nature of the Company's operations, it is exposed to limited financial risks. The Group's financial risk management programme is detailed on page 47.

Future developments and going concern

It is the intention of the Company to continue to act as the Group's ultimate holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resource of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

The following held office as directors of the Company during the year and up to the date of this report:

- Mike Parton
- Mark Braithwaite
- Christian Seymour
- Peter Adams (alternate)
- Nathan Luckey (resigned 4 August 2020)
- Sally Davis
- Neil King
- Martin Healey
- Frank Dangeard
- Michael Darcey
- Paul Donovan (resigned 20 April 2020)
- Maximilian Fieguth

Jeremy Mavor is the Company Secretary.

Directors' indemnities

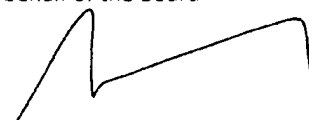
The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This was in place throughout the year ended 30 June 2020 and up to the date the financial statements are signed.

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



Frank Dangeard - Director
21 September 2020

Company statement of financial position

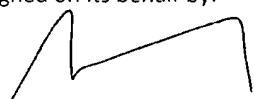
	Note	30 June 2020 £m	30 June 2019 £m
Non-current assets			
Deferred tax	3	-	1.6
Investments	4	-	128.0
Other receivables	5	0.8	3.0
		0.8	132.6
Current assets			
Other receivables	5	3.1	-
		3.9	132.6
Current liabilities			
Other payables	6	(14.6)	(16.2)
Net current liabilities		(11.5)	(16.2)
		(10.7)	116.4
Net (liabilities) / assets			
Equity			
Share capital		653.9	653.9
Share premium		315.6	315.6
Retained earnings		(980.2)	(853.1)
Total equity		(10.7)	116.4

The accounting policies and notes on page 137 form part of these financial statements.

The result for the financial year for the Company was a loss of £127.1m (2019: £1,640.8m loss).

During the year the Company incurred an impairment charge of £128.0m (2019: £1,639.0m) relating to the investment in a direct subsidiary of the Company, Arqiva Financing No. 3 Plc, as disclosed in note 4 to the financial statements.

These financial statements on pages 135 to 146 were approved by the Board of Directors on 21 September 2020 and were signed on its behalf by:



Frank Dangeard - Director

Company statement of changes in equity

	Share capital* £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 July 2018	653.9	315.6	787.7	1,757.2
Loss for the financial year	-	-	(1,640.8)	(1,640.8)
Balance at 30 June 2019	653.9	315.6	(853.1)	116.4
Loss for the financial year	-	-	(127.1)	(127.1)
Balance at 30 June 2020	653.9	315.6	(980.2)	(10.7)

*Comprises 653,928,000 (2019: 653,928,000) authorised, issued and fully paid ordinary shares of £1 each.

Notes to the Company financial statements

1 Arqiva Group Limited accounting policies and other information

Basis of preparation

As used in these financial statements and associated notes, the term 'Company' refers to Arqiva Group Limited.

Arqiva Group Limited is a private company limited by shares incorporated in United Kingdom. The registered address of the Company is Crawley Court, Winchester, Hampshire, SO21 2QA.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting

Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Group Limited and its subsidiaries) are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies

Act 2006, the Company's income statement has not been presented. Accounting policies have been applied consistently throughout.

New and revised Standards and Interpretations have been adopted in the current year, a list of which can be found in note 2 of the Group financial statements. There is no material impact on the Company. The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

EU-adopted IFRS	Relevant disclosure exemptions
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 24 Related Party Disclosures	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member.

Accounting policies

Investments

Investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

Other payables

Other payables are not interest bearing and are recorded at fair value. They are included in current liabilities, except for maturities greater than 12 months after the reporting date, which are classified as non-current liabilities.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity.

Other information

Employees

The Company had no employees during the year (2019: none). None of the Directors (2019: none) were remunerated by the Company.

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 remuneration in respect of their service to the Company except where sums are paid to third parties in respect of their services. There were no such sums paid in the year (2019: none).

Audit fees

The audit fee in respect of the Company and fees payable to

PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

Critical accounting estimates and judgements*Key estimates*Impairment of investments in Group undertakings

Management review the carrying amounts of the investments to determine whether there is any indication of impairment.

Where there is indication of impairment, the recoverable amount is estimated as the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. This is prepared

with reference to cash flow forecasts prepared by management which cover a 5 year period.

The application of the Company's accounting policies does not require any other critical judgements or any sources of estimation uncertainty.

2 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the Group are set out below:

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Aggregate remuneration	0.7	0.5
Amounts due under long term incentive plans - reversed	(0.8)	-
Total remuneration	<u>(0.1)</u>	<u>0.5</u>

Certain of the 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 not possible to make an accurate apportionment of each Director's remuneration in respect of

their service to the Company and the Group except where sums are paid to third parties in respect of their services, of which there were £nil (2019: £nil) in relation to the Company. Accordingly, no remuneration in respect of these Directors is recognised in the Company.

There are no directors to whom retirement benefits accrued in respect of qualifying services (2019: none).

Highest paid director

Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Aggregate remuneration	0.3	0.3
Amounts due under long term incentive plans - reversed	(0.8)	-
Total remuneration	<u>(0.5)</u>	<u>0.3</u>

3 Deferred tax

The balance of deferred tax recognised at 30 June 2020 is £nil (2019: £1.6m). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Other temporary differences	Total
	£m	£m
At 30 June 2019	1.6	1.6
Credited to the income statement	(1.6)	(1.6)
At 30 June 2020	-	-

The deferred tax asset of £nil (2019: £1.6m) has been calculated based on the UK corporation tax rate of 19.0% (2019: 17.0%); the rate substantively enacted at the balance sheet date.

4 Investments

The Company's subsidiary 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%
Arqiva Muxco Limited (Formerly Aerial UK Limited)	United Kingdom	Transmission services	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% (sold 8 July 2020)
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% (sold 8 July 2020)
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100% (sold 8 July 2020)
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100% (sold 8 July 2020)
Arqiva Pension Trust Limited	United Kingdom	Dormant company	31-Mar	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%

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Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100% (sold 8 July 2020)
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% (sold 8 July 2020)
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 Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Dormant company	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	Dormant company	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	Dormant company	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	80.0%
Now Digital (Oxford) Limited	United Kingdom	Dormant company	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%
Primrose 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	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	Dormant company	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%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Ireland) Limited	Unit 9 Willborough, Clonsaugh Industrial Estate, Dublin 17, Co. Dublin, Ireland.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.
Primrose No. 1 Limited	8th Floor, The Met Building, 22 Percy Street, London, W1T 2BU, England.

In addition to the subsidiary undertakings the Company indirectly holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
<i>Joint ventures</i>					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
<i>Associate undertakings:</i>					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
UK Digital Radio Limited	United Kingdom	Support delivery of a digital future for radio	55 New Oxford Street, 6 th Floor, London, WC1A 1BS	31-Mar	10.0%

The following companies within the Group will adopt the Department for Business, Energy and Industrial Strategy (BEIS) audit exemption for the year ended 30 June 2020. As the ultimate parent company, AGL has guaranteed the 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	08126989
Arqiva Group Holdings Limited	08221064
Arqiva UK Broadcast Holdings Limited	05254048
Arqiva Telecoms Investment Limited	03696564
Arqiva Scotland Limited	SC365509
ABHL Digital Limited	03538787
ABHL Digital Radio Limited	03573732
Digital One Limited	03537636
Now Digital Limited	03546921
Now Digital (Southern) Limited	03654065
Arqiva Financing No 2 Limited	06137899
Arqiva International Holdings Limited	08753024
Arqiva Senior Finance Limited	08127157
Arqiva Smart Holdings Limited	08723422
Arqiva Smart Parent Limited	08723419
NWP Spectrum Holdings Limited	04412123
Spectrum Interactive Limited	04440500
Arqiva Muxco Limited (Formerly Aerial UK Limited)	02333949
Arqiva Mobile TV Limited	04107732
Arqiva Public Safety Limited	03341257
Arqiva Digital Limited	03120642
Arqiva Finance Limited	03347387
Arqiva Mobile Broadcast Limited	02816853
Arqiva Mobile Limited	03246721
Arqiva Satellite Limited	02192952
Arqiva Transmission Limited	03598122
Arqiva Wireless Limited	03055844

The following dormant companies within the Group will take the exemption from preparing and filing financial statements for the year ended 30 June 2019 (by virtue of s394A and s448A of Companies Act 2006 respectively). As the ultimate parent company, AGL has guaranteed 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 Mobile TV Limited	04107732
Arqiva Public Safety Limited	03341257
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 10 Limited	05393073
Arqiva No 11 Limited	05393079
Arqiva Satellite Limited	02192952
Now Digital (Oxford) Limited	06314242
Arqiva Swing Limited	07140424
Arqiva Transmission Limited	03598122
Arqiva Wireless Limited	03055844
Capablue Limited	06962172
Cast Communications Limited	05097626
Connect TV Limited	07403839
Connect TV (Scotland) Limited	SC403631
Inmedia Communications (Holdings) Limited	02755211
Inmedia Communications Group Limited	05097612
Inmedia Communications Limited	05097623
JFMG Limited	03297317
Macropolitan Limited	05401565
Primrose No.1 Limited	07046887
Scanners (Europe) Limited	02833712
Scanners Television Outside Broadcasts Limited	03391685
Selective Media Limited	06579687
Spectrum Interactive (UK) Limited	03500162

The Company held the following investments in subsidiaries:

	Total £m
Cost	
At 1 July 2018	1,767.0
Impairment	(1,639.0)
At 30 June 2019	128.0
Impairment	(128.0)
At 30 June 2020	-
Carrying value	
At 30 June 2020	-
At 30 June 2019	128.0

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise.

During the current year the Company incurred an impairment charge of £128.0m (2019: £1,639.0m) relating to an investment in a direct subsidiary of the Company, Arqiva Financing No.3 Plc. This calculation is considered to be a critical accounting estimate, as the value of the Company's investment in Arqiva Financing No. 3 Plc is sensitive to future cash flow projections, specifically in relation to the debt financing operations of Arqiva Group Limited. Reductions identified in the future cash flows of this subsidiary would result in a further impairment of the investment.

5 Other receivables

Non-current other receivables are amounts receivable from other Group entities which incur interest at 9.5% per annum.

Current other receivables are all amounts receivable from other Group entities and are unsecured, interest-free, and repayable on demand.

6 Other payables

	30 June 2020 £m	30 June 2019 £m
Amounts payable to other Group entities	14.6	11.0
Accruals	-	5.2
Total	14.6	16.2

The Company has no payables falling due after more than one year. Amounts payable to other Group entities are unsecured, interest-free, and repayable on demand.

7 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly-owned by another Group entity.

8 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.

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