

arqiva

**Arqiva  
Holdings Limited**

**Registered number 03242381**

**Annual Report and Consolidated  
Financial Statements**

**For the year ended 30 June 2015**

# Corporate information

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As at the date of this report (16 October 2015):

## **CHAIRMAN**

Mike Parton

## **DIRECTORS**

Mark Braithwaite

Phil Moses

Clive Ansell

Paul Mullins

Christian Seymour

Robert Wall

Damian Walsh

Nathan Luckey

Sally Davis

Mike Parton

Simon Beresford-Wylie

Deepu Chintamaneni (alternate)

## **COMPANY SECRETARY**

Michael Giles

## **REGISTERED OFFICE**

Crawley Court

Winchester

Hampshire

SO21 2QA

## **COMPANY REGISTRATION NUMBER**

03242381

## **WEBSITE**

[www.arqiva.com](http://www.arqiva.com)

## **INDEPENDENT AUDITOR**

PricewaterhouseCoopers LLP

Oceana House

39-49 Commercial Road

Southampton

SO15 1GA

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

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

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



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

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

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



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

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

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

In this document, references to 'Arqiva' and 'the Group' refer to the Arqiva Broadcast Holdings Limited group (i.e. the ultimate parent group) and related business units as the context requires. Where figures relating to financial position and performance are stated, they relate specifically to Arqiva Holdings Limited (i.e. the company and its subsidiaries).

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

## Our financials

**Revenue**

**£854.3m**

(2014: £823.9m)

**EBITDA**

**£419.1m**

(2014: £407.5m)

**Operating Cash flow**

**£373.3m**

(2014: £344.8m)

**Tangible Fixed Assets (net book value)**

**£1.5bn**

(2014: £1.4bn)

**Contracted order book**

**£6.2bn**

(2014: £6.0bn)

## Our business units

**Terrestrial Broadcast**

Over 1,400 DTT and radio transmission sites covering 98.5% of the population

**Digital Platforms**

2 out of the 3 commercial DTT multiplexes and 2 T2 HD enabled multiplexes

**Satellite and Media**

Leading UK teleport operator with >40% market share in terms of channels up-linked

**Telecoms**

Leading independent provider of wireless sites with c.25% total market share of all active sites. Circa 29,000 WiFi access points

**Smart Metering M2M**

Establishing a network of c.800 sites to provide coverage to c9.3m premises

## Our achievements

**Our People**

Holder of Investors in People "Gold Award"

2,145 employees

(2014:1,990)

**Customer Promises**

Major network deployment milestones achieved to time (inc. smart metering)

**Industry accreditations**

(Including)

ISO 14001\*  
OHSAS18001\*\*  
ISO27001\*\*\*

**Our Reliability**

Combined TV Network Availability of 99.91%

(2014: 99.95%)

**Awards**

2014 Teleport Operator of the Year Award

\*ISO 14001 sets out the certification criteria and framework for an effective environmental management system.

\*\*OHSAS 18001 sets out the certification criteria for an effective safety management system.

\*\*\*ISO 27001 sets out the certification criteria for an effective information security management system.

# Chairman's statement



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

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

## Strategic planning

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

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

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

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

## Financial results

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

The Group's trading performance has been strong, recording our highest ever revenues of £854.3m and EBITDA\* of £419.1m, both up more than 2.8% from the prior year.

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

## Operational delivery

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

\*'EBITDA' refers to earnings before interest, tax, depreciation and amortisation (see page 15 for further information).

## Key contract wins

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

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

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

The Group's contracted orderbook value at 30 June 2015 was £6.2bn (2014: £6.0bn). The strength in the order book underlines Arqiva's strong visibility of earnings and will underpin future revenue.

### Chief Executive Officer and the Board of Directors

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

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

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

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

### Outlook

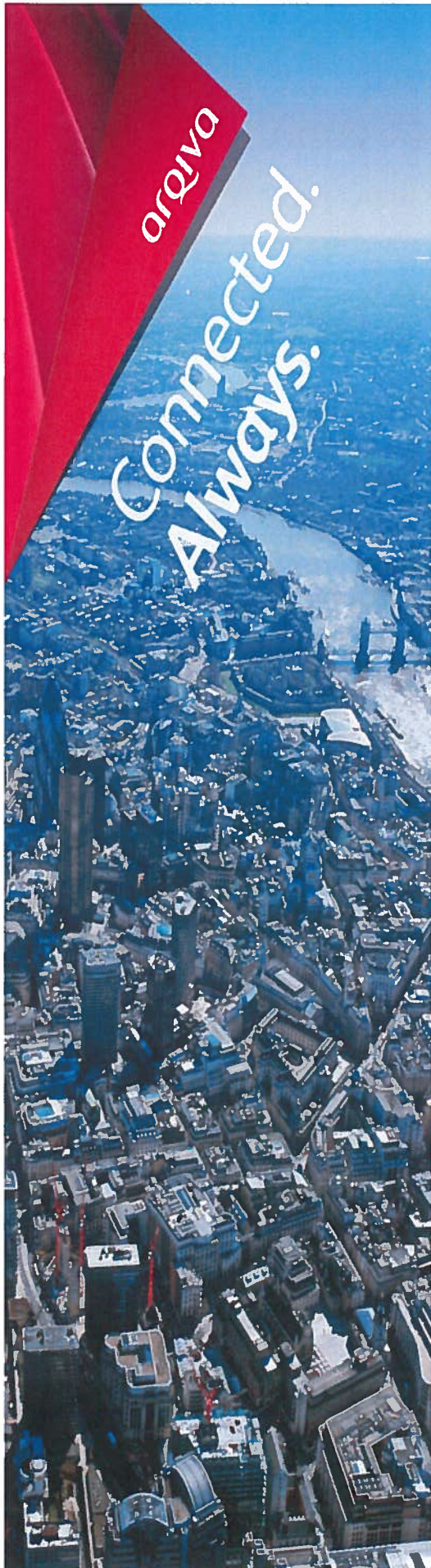
Looking forward, Arqiva will continue to make progress on its business transformation programme and will continue to pursue its strategic objective of growing both a financially and operationally successful business. We have signed some significant contracts which have continued to strengthen our order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

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

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

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

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



# Strategic report

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The Directors, in preparing this Strategic report, have complied with section 414 of the Companies Act 2006. This Strategic report has been prepared for Arqiva Holdings Limited and its subsidiary undertakings as a whole ('the Group').

Additional matters relating to Arqiva Broadcast Holdings Limited (the largest Group within which Arqiva Holdings Limited consolidates) and its subsidiary undertakings (together the 'ABHL Group') have been included and highlighted as such where relevant.

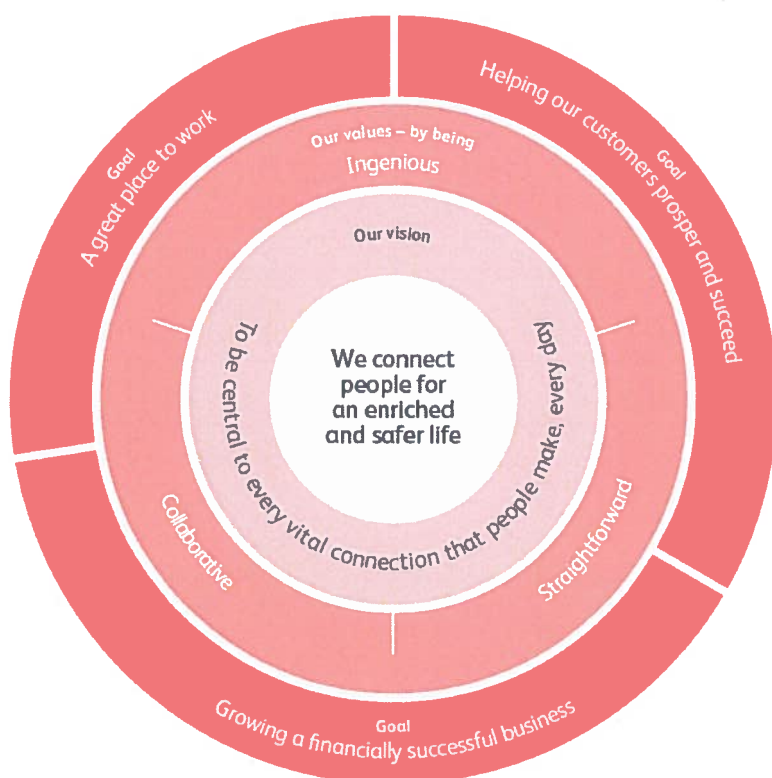


# Strategic overview

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

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

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



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

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

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

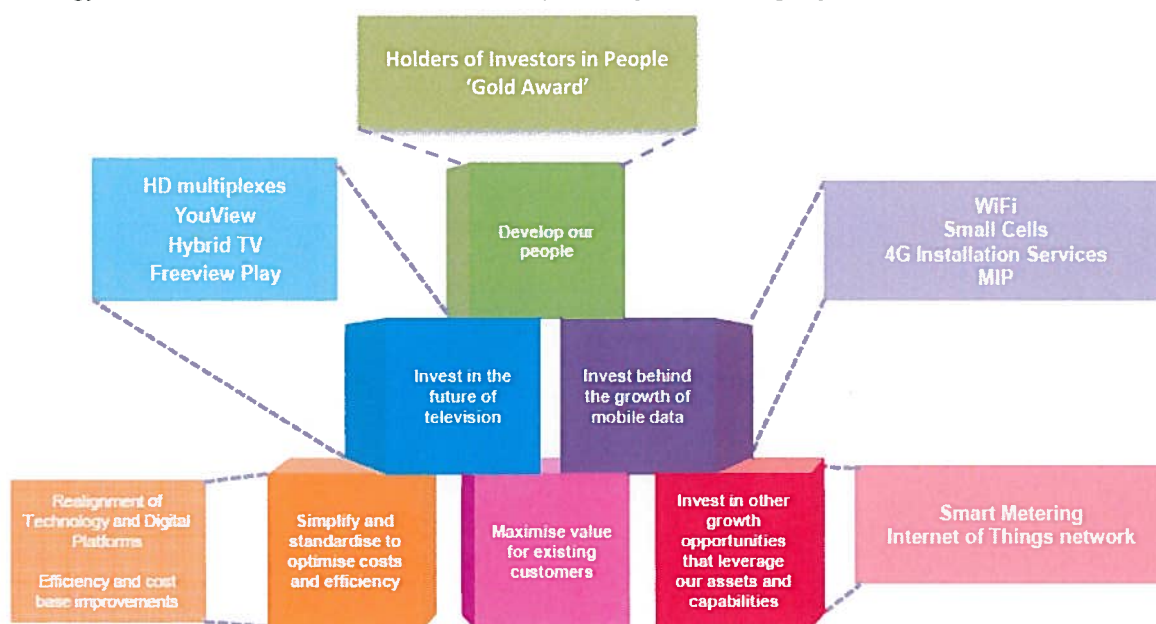
**Our three strategic priorities** are:

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

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

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

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



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

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

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

### 2015 review of the operating model

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

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

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

## Acquisitions and disposals

No acquisitions or disposals occurred during the year.

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

## Business developments

### *Contracted order book update*

The Group's contracted orderbook value at 30 June 2015 was £6.2bn (2014: £6.0bn). Since 30 June 2014 we have recorded a further £0.8bn of new contract wins across the whole business. The strength of the orderbook improves Arqiva's visibility of earnings and will underpin future revenue growth.

### *Smart metering rollout progress*

Arqiva is building a smart metering communication network for the North of England and Scotland as part of a 15-year contract signed in September 2013 with the Data and Communications Company (the DCC, a body licensed by statute). The legal entity that won the contract for smart metering is a newly established company, Arqiva Smart Metering Limited ('ASML') that sits within the ABHL group, but is outside the Arqiva Holdings Limited ('AHL') group. ASML has contracted with Arqiva Limited (which is within the AHL group) for the provision of the core network, sites and spectrum that will support the delivery of this contract. The procurement and financing of the communications hubs (which allow information to be sent to and from the network by meters inside of the 9.3 million premises) will be performed by ASML. Accordingly, the AHL group is expected to benefit from a substantial majority, but not all, of the smart metering contract revenue through charges levied to ASML.

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

In the year ended 30 June 2015 the Group recognised £19.3m of revenue predominantly relating to project management services including revenue in relation to progress towards the completion of the DCC design and development milestone as part of the construction of the network infrastructure.

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

### *Smart Water metering contract win*

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

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

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

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

### *Second national DAB licence win*

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

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

### *Digital radio (DAB) rollout*

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

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

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

### *DTT spectrum update*

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

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

### *DTT Multiplex utilisation*

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

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

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

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

### *Freeview update*

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

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

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

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

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

### *WiFi and Small Cells development*

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

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

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

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

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

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

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

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

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

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

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

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

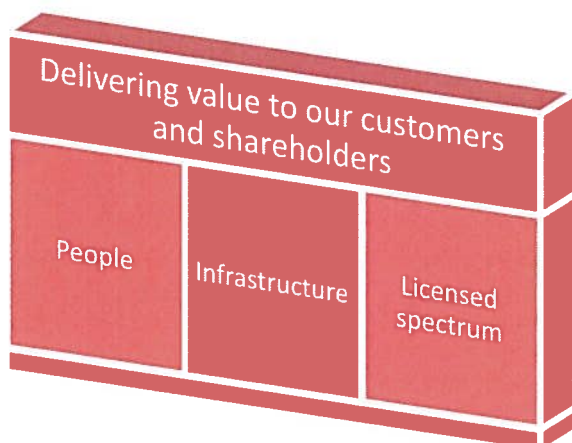
In August 2015, the Group appointed a new CEO, Simon Beresford-Wylie. Simon joins Arqiva with over 30 years' experience in the information technology and telecoms sector. He has held roles globally, most recently helping guide the strategy and operations of Samsung Electronics' network business in Seoul,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

John Cresswell left Arqiva in August 2015 after four and a half years' as CEO leading Arqiva through a period of strong EBITDA and orderbook growth.

## Our business model

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

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



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

With circa £1.5bn (net book value) invested in infrastructure assets Arqiva utilises the expertise of its people (more than 2,000 employees) to deliver on its contracts (order book of circa £6.2bn). Underpinning this delivery, the Group holds the necessary licences to broadcast – for example the Group holds spectrum licences for two of the three main national commercial digital terrestrial TV multiplexes plus two new Hi-Definition-capable ('T2') multiplexes.

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

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

These service offerings are aligned into our business units outlined on page 13. Additionally our management structure is aligned to these business units reflecting that, whilst there are common core principles of how we operate our business, there are risks that are required to be separately managed, see page 31 for additional detail. We continue to review and adapt our business structure to drive efficiencies and optimise our cost base. In 2015, management announced that it was improving the end-to-end alignment of the business by transferring certain activities that had previously been managed centrally into the main business units (see pages 7 and 13 for further information).

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

## Our business units

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



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



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



**Satellite and Media** owns and operates teleports at key locations in the UK, as well as owning an international terrestrial fibre network, media facilities and leasing satellite capacity. These enable the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally.



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



**Smart Metering/Machine to Machine ('Smart Metering M2M')** was set up to build on Arqiva's success in winning the 15 year smart metering contract in the North of England and Scotland and to pursue the wider opportunities in this space. The smart metering contract involves building a new smart network and delivering the smart energy metering communications service for Scotland and the north of England, as well as managing engagement with the energy industry and other key stakeholders. The business unit is pursuing new business opportunities in related smart and M2M markets, including many fast developing areas such as smart water metering, smart grids and a wide set of other potential M2M applications, including the IoT. This relates to the ABHL group but impacts the results of the AHL group (see page 8).

Supported by the following centralised functions:



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



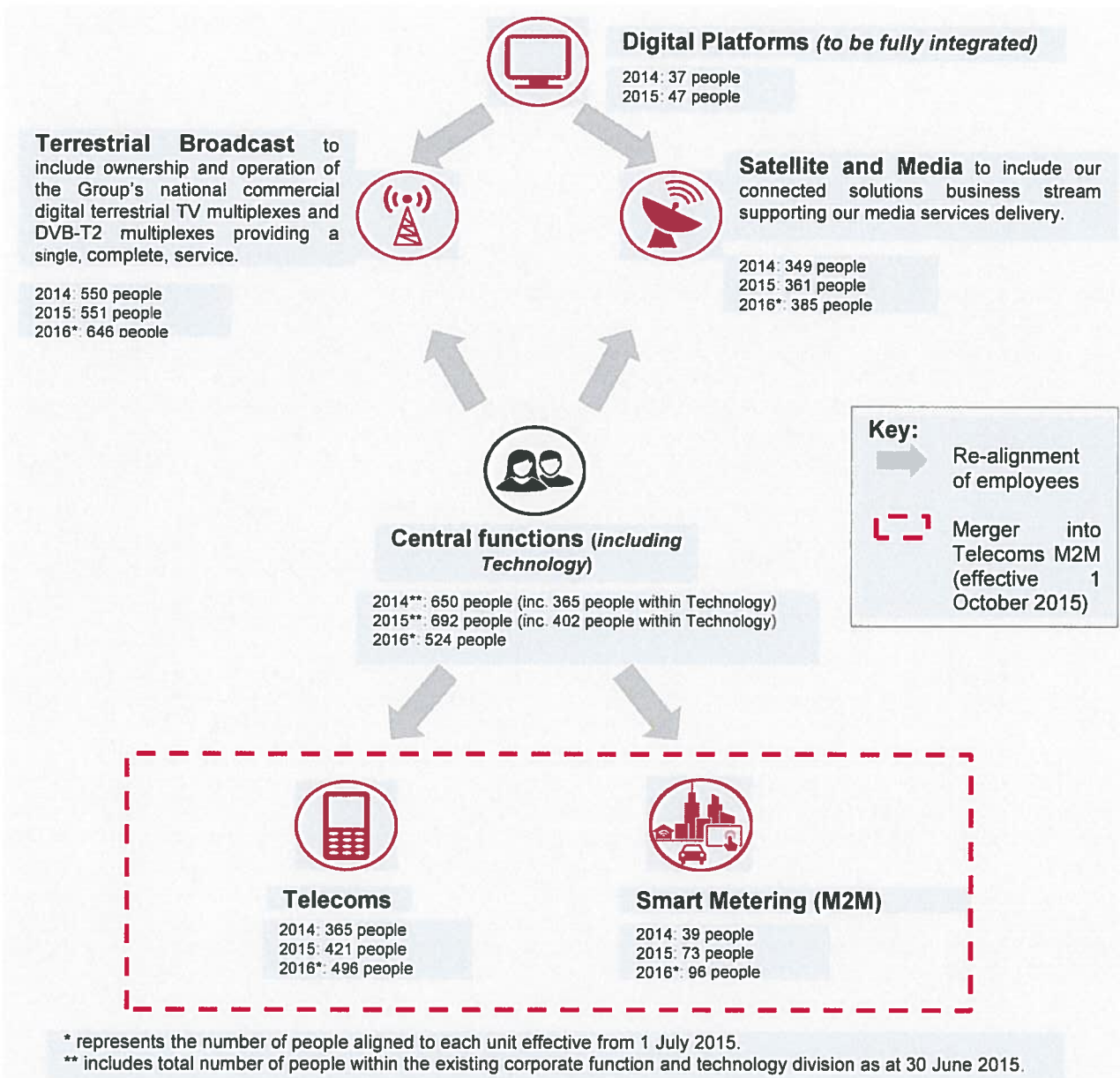
The **Technology division** supports the operational infrastructure, including monitoring and maintenance services for the whole of the Group, their focus being on service, efficiency and new technology.

During the year, management conducted a review of the operating model of the business and identified benefits from combining the DTT elements of the Digital Platforms business unit with Terrestrial Broadcast, and transferring the hybrid (connected solutions) activities to Satellite and Media. The result is a single Terrestrial Broadcast business unit which combines the ownership of multiplexes and the infrastructure for transmission alongside a greater service offering under a single Satellite and Media business unit.

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



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



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

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

# Financial review

## Financial highlights

- Revenue up 3.6% to £854.3m
- EBITDA up 2.8% to £419.1m
- Profit before tax and interest £232.1m (2014: £253.4m)
- Operating cash flow up 8.3% to £373.3m
- Net cash outflow on capital expenditure up 26.8% to £194.9m

## Group results

For the year ended 30 June 2015, revenue for the Group was £854.3m, an increase of 3.6% from £823.9m in the prior year. There was continued growth in Telecoms revenues relating to a significant increase in installation services connected with the upgrading of networks for 4G, growth within WiFi and other one-off project revenues relating to site-share. Growth was also seen within Digital Platforms which was driven by the increased run rate from additional channel capacity available as a result of improved compression technology and new T2 multiplex capacity together with contract renewals of founder customer deals. In Smart Metering, the Group saw additional revenues as a result of the continued solution design work, and customer billing has now commenced following the achievement of two major network coverage milestones. In Satellite and Media, overall revenues declined as a reduction in low-margin wholesale space revenues, service terminations of non-credit worthy UK DTH customers and space segment terminations within a number of Managed Networks contracts more than offset growth in other areas.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') for the Group was £419.1m, representing a 2.8% increase from £407.5m in the prior year. The current year benefits from the gross profit on the increased revenues discussed above and lower operating costs. Operating costs reduced due to an increase in the level of internal resource employed on billable projects which is cost that is transferred out of operating costs into cost of sales. In addition, higher labour capitalisation and initial savings derived from the operating model review reduced operating costs further which was partially offset by an increase in staff costs. The table below provides a reconciliation of the movements between EBITDA and operating profit.

### Reconciliation of EBITDA to operating profit:

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

	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011
	£'m	£'m	£'m	£'m	£'m
Operating profit before exceptional items	272.9	257.4	273.6	285.3	232.9
Depreciation of fixed assets	119.8	123.0	114.4	92.6	105.4
Amortisation	25.9	26.4	25.5	24.7	23.8
Other (including loss/(profit) on disposal of fixed assets and non-interest finance costs principally bank charges)	0.5	0.7	4.1	0.1	(0.1)
<b>EBITDA</b>	<b>419.1</b>	<b>407.5</b>	<b>417.6</b>	<b>402.7</b>	<b>362.0</b>

Profit on ordinary activities before taxation and interest for the Group was £232.1m, representing a 8.4% decrease from £253.4m in the prior year. This was primarily driven by the recognition of impairment offset by additional EBITDA generated in the year. The profit for the financial year was £164.9m, compared to a £242.6m profit in the prior year. This was after non-cash charges of £237.0m (2014: £149.4m) comprising: £119.8m (2014: £123.0m) depreciation; £59.6m (2014: £26.4m) amortisation and impairment; and £56.6m (2014: £nil) charges for the de-recognition of deferred tax.

The Group recognised £10.9m (2014: £7.0m) of exceptional administrative expenses in the year. This was primarily due to costs incurred as a result of the review of the Group's operating model (see note 4 for further details).

## Cash flow

Net cash inflow from operating activities was £373.3m (2014: £344.8m) representing an increase of 8.3%. The increase was principally as a result of additional EBITDA generated and timing differences impacting working capital.

The Group's net cash outflow on capital expenditure was £194.9m, compared to £153.7m in the prior year (an increase of 26.8%). The increase was primarily due to the phasing of expenditure on project spend relating to the Smart contract.

## Gross debt

The Group's external debt relates to assets held under finance lease (2015: £13.8m; 2014: £14.0m). See notes 11, 15 and 16 for further details.

\*EBITDA is stated before exceptional items

### **Going concern**

This strategic report includes information on the structure of the business, our business environment, financial review for the year and details of the principal risks and uncertainties facing the Group. Notes 14 and 16 of the consolidated financial statements include information on the group's cash, borrowings and derivatives; and financial risk management information is presented within the Directors report.

On a consolidated basis the Group continues to present net assets of £1,886.2m (2014: £1,727.5m), generate a profit for the year (2015: £164.9m; 2014: £242.6m) and generate cash from operations (2015: £373.3m; 2014: £344.8m). The Company is in a net asset position.

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



## Spotlight: Terrestrial Broadcast

### Services delivered

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

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



**1,150** TV  
broadcast towers



**98.5%** UK  
population coverage

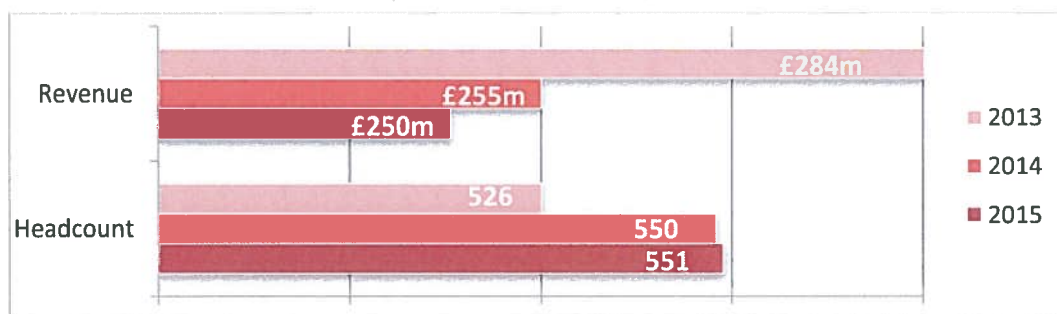


**1,450** radio  
transmission sites



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

### Business unit snapshot



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

### Market snapshot

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

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

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



## Spotlight: Digital Platforms

### Services delivered

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

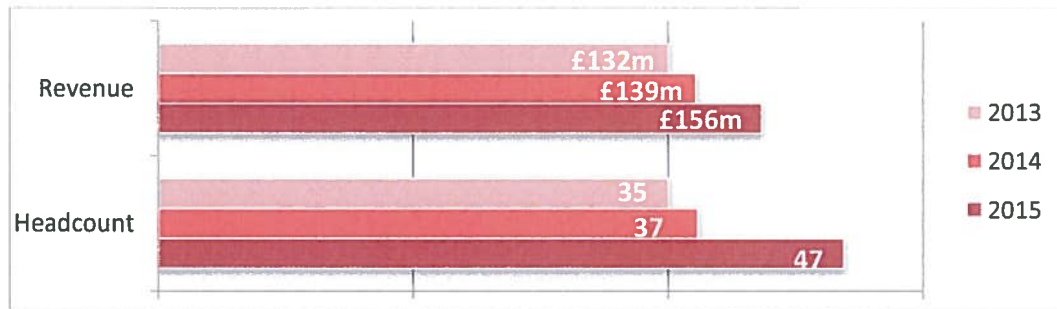


**4** multiplex licences



**1st** DTT IP platform

### Business unit snapshot



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

### Market snapshot

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

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

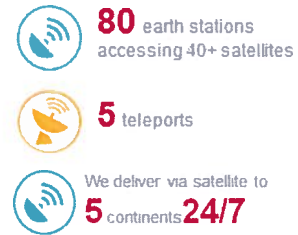
Following the acquisition of Capablue Limited in February 2014, we have created the first IP capable DTT platform becoming the only provider with the capability to offer linear and non-linear video distribution across DTT, Satellite Direct to Home and via the Internet. From 1 July 2015, the 'connected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



## Spotlight: Satellite and Media

### Services delivered

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



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

### Business unit snapshot



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

### Market snapshot

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

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



## Spotlight: Telecoms

### Services delivered

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

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

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



**32bn**  
minutes of mobile  
conversation / year



**7m** WiFi  
sessions / month



**250,000+** small  
cells street level assets

### Business unit snapshot



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

### Market snapshot

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

Arqiva continues to work closely with the MNOs as they seek to reduce their costs by network consolidation. The Group is a key supplier in this market, with long term contracts with all the UK MNOs. We aim to ensure we are at the heart of the mobile operators' consolidation plans. Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services and hence the demand for WiFi, and in the future, small cells.

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

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



## Spotlight: Smart Metering M2M

### Services delivered

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

This relates to the ABHL group but impacts the results of the AHL group (see page 8).

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

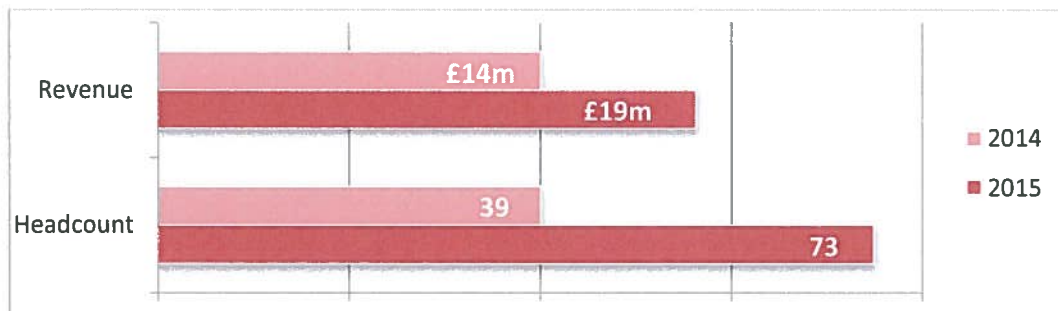


**One** of the UK leaders in smart metering



**9m** homes and small businesses will use smart meters

### Business unit snapshot



Since the award of the contract, Arqiva has consistently met all of its contracted delivery milestones on time and to the required quality. Datacentres have been built and tested and a service management centre has been established. A key 25% network coverage milestone was achieved by 31 December 2014 and the 40% network coverage was achieved to schedule on 1 April 2015. We have since reached 60% coverage as at the date of this report enabling billing to commence. Due to customer delays in finalising the design specifications, the Group accepted a contract variation which has revised the timing of the next milestones (including user-acceptance testing) and provided the Group with a compensation mechanism for the delay-led truncation of the operational phase of the contract. In the year ended 30 June 2015 the Group recognised £19.3m revenue (2014: £14.4m) primarily relating to project management services in relation to progress towards the completion of the design and development milestone, as part of the construction of the network infrastructure.

### Market snapshot

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

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

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



# Key performance indicators

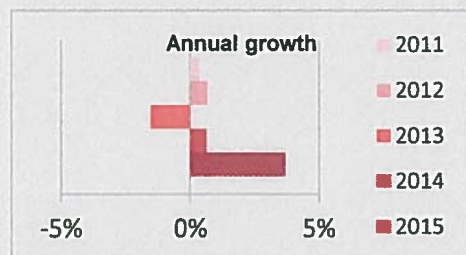
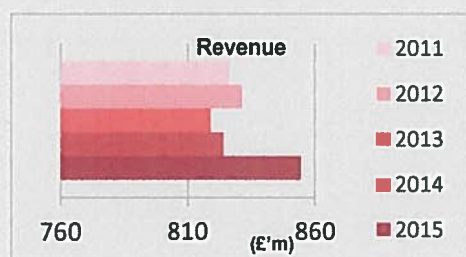
The Group uses a mixture of financial and non-financial key performance indicators ('KPIs') to measure progress against our strategic priorities. Our financial KPIs balance short-term measures (e.g. operating cash flow) with long-term measures (e.g. revenue growth, return on fixed assets and underlying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

## Strategic priorities (see page 6):

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

## Financial success

### Revenue and revenue growth



#### Definition and basis of calculation

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

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

#### Result

2015 saw the Group achieve its highest ever reported revenue.

Following completion of the DSO project in 2012 the Group has continued to be successful in securing key contracts to deliver underlying revenue growth.

Underlying revenue growth has been achieved, for example, due to additional channel capacity utilisation and renegotiation of Digital Platforms founder contracts to current market rates.

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

### EBITDA

#### Definition and basis of calculation

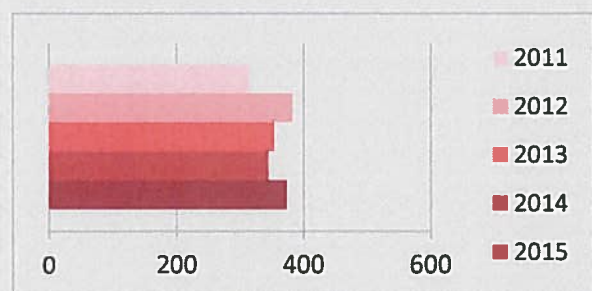
EBITDA is an important measure for the Group reflecting the level of business profitability and cost efficiency – see page 15 for its reconciliation back to operating profit.

#### Result

A 4-year annualised growth rate of 3.9% has been achieved. 2013 saw a high EBITDA due to high one-off project revenues. The Group has achieved revenue growth and has continued to review its operating model to balance cost efficiency with delivery.



### Operating cash flow



#### Definition and basis of calculation

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

#### Result

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

Operating cash flow for FY15 is derived from EBITDA after the deduction of £33.9m working capital and £44.6m exceptional operating expenditure.

## Our customers

### Network availability

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

#### **Definition and basis of calculation**

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

#### **Result**

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

### Delivery on our customer promises

#### **Definition and basis of calculation**

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

#### **Result**

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

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

## Our people

### Investors in people

#### **Definition and basis of calculation**

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

#### **Result**

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

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

# Corporate responsibility

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



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

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

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

*We connect people for an enriched and safer life*

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

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

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

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

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

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

## Environment

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

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

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

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

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

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

## Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare in its operations and for all those in the organisation and others who may be affected by its activities. The Group operates a safety management system that is accredited to the international standard OHSAS18001. The Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

## Information security

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

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

## Employees

The average number of persons employed by the Group during the year was 2,145 (2014: 1,990). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

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

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

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

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

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

We want all our employees to benefit from our success and growth as a business. Our annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with our values. The scheme takes into account the targets that have been set by the Group and then multiplies this by a personal performance rating. The company must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the Group financial KPIs of EBITDA, revenue and operating cash flow. The bonus payment for the 2015 financial year will be made in September 2015.

## Charitable donations, community and social activities

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

We are continuing to support The Prince's Trust fundraising efforts, such as the Palace to Palace bike ride in October 2014, our second year of involvement, where up to 4,000 people rode from Buckingham Palace to Windsor Castle. Arqiva is also a patron of The Prince's Trust. The Prince's Trust focuses its efforts on helping young people with practical and financial support, and developing key workplace skills. Arqiva has committed to raising funds for The Prince's Trust 'Million Makers' challenge. There have been a number of fundraising events over the course of the year with the Trust using amounts raised to invest in a small-scale enterprise challenge pitting teams against

each other across the UK. The work of The Prince's Trust fits perfectly with our purpose, vision and values as its key aim is to keep young people connected with society. As part of our Corporate Responsibility strategy, we continue to work with The Prince's Trust to help them run programmes that encourage young people to take responsibility for themselves and help them build the life they choose rather than the one they've found themselves with.

During the year, the Group made a significant number of charitable donations. Contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee. The Group also supports the Give As You Earn scheme, working in partnership with the Charities Aid Foundation which manages the scheme - the UK's leading payroll giving scheme. Employees are supported to take part in corporate volunteering activities whereby they give their time to local charities and organisations for special projects which has included numerous activities such as upgrading the garden area at a local educational farm.

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

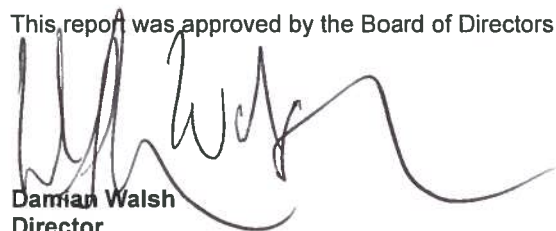
Arqiva has also demonstrated its commitment to promoting health and wellbeing by launching the 'Arqiva Be healthy' programme, aimed at promoting health initiatives and healthy lifestyle choices. In addition, we have entered 'Britain's Healthiest Company' competition which aims to recognise and reward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

### Taxation

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

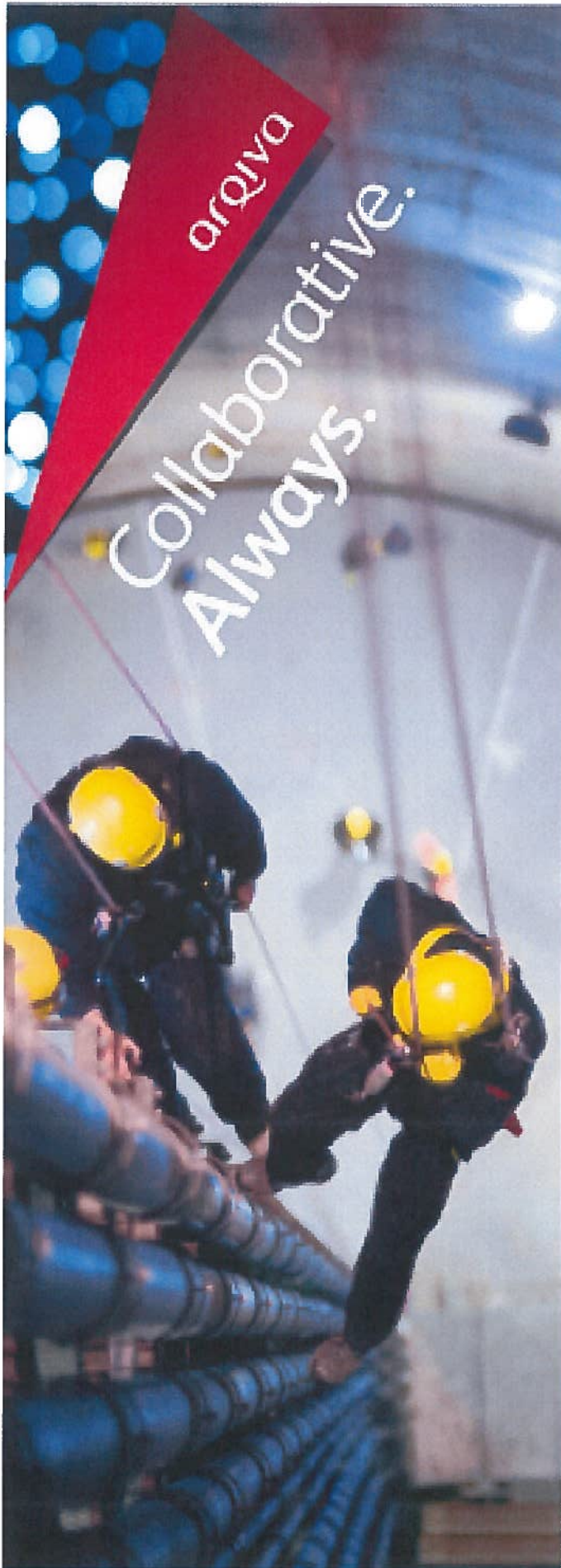
The Arqiva Group is a primarily UK based infrastructure group; while there are some trading operations outside of the UK these generate only 1% of EBITDA and there are no tax planning activities undertaken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of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

This report was approved by the Board of Directors on 16 October 2015 and signed on its behalf by:



**Damian Walsh**  
Director

16 October 2015



# Governance

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## Board of directors

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

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

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

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

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

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

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



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

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



**Clive Ansell**  
Independent non-executive

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

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

#### Appointed by Frequency Infrastructure Communications Assets Limited:

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

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



**Robert Wall**  
Director

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

Additionally, Directors included Alain Carrier (resigned 2 October 2014) and Peter Douglas (resigned 31 July 2015). **Alternate directors included:** Prakul Kaushiva (resigned 31 July 2015) and Andreas Kottering (resigned 2 October 2014).

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

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

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

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

#### Appointed by Macquarie European Infrastructure Fund II:

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

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



**Mark Braithwaite**  
Director

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

Directors included Edward Beckley (resigned 1 July 2015)

#### Appointed by Industry Funds Management:

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**Christian Seymour**  
Director

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

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

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

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**Damian Walsh**  
Director

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

In addition Phil Moses and Simon Beresford-Wylie (appointed 1 August 2015) are also Company Directors. John Cresswell resigned as a Company Director on 1 August 2015.



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



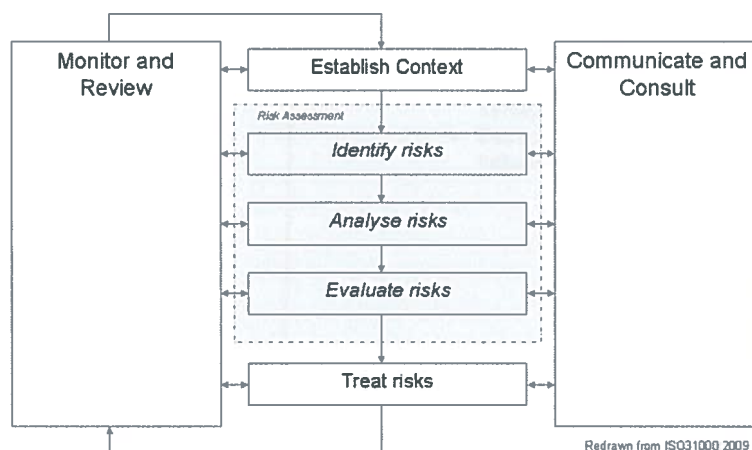
Adam Bradley was appointed to the Management Board as Interim Chief Transformation Officer on 5 May 2015 to lead the business transformation programme. With an effective date of 30 June 2015, Charles Constable (Managing Director, Digital Platforms) and Cameron Rejali (Chief Technology Officer) left the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

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

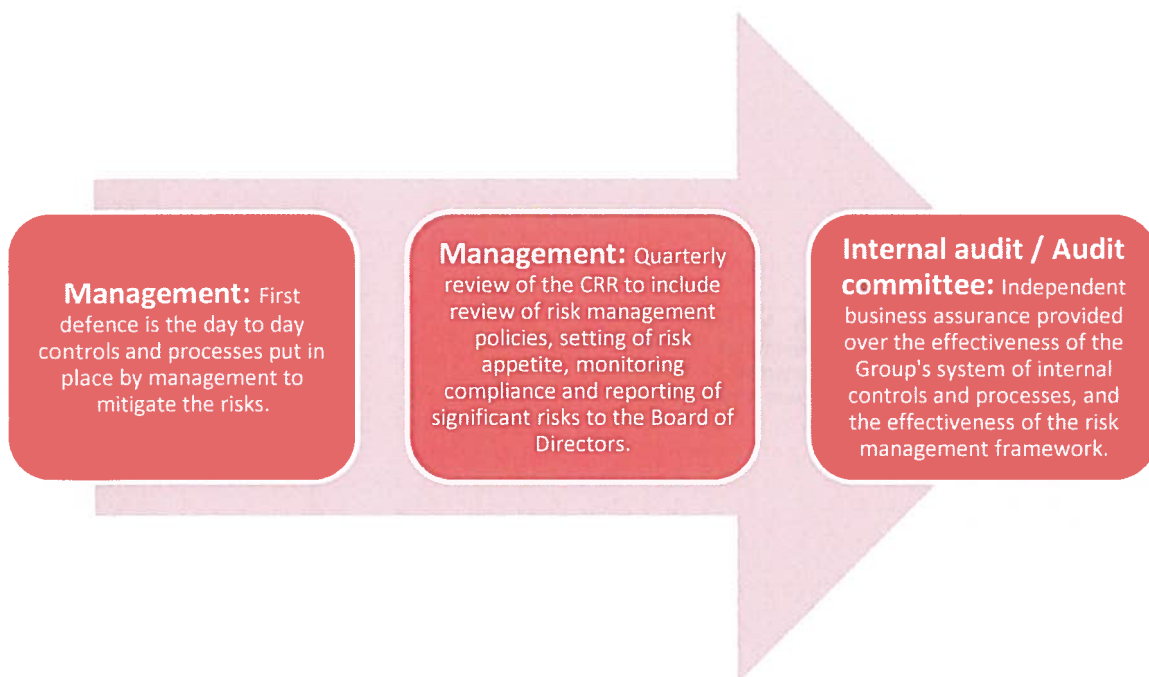
# Principal risks and uncertainties

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

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



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



Risk type	Business Units*	Description of risk / uncertainty	Recent developments	Management of risk / uncertainty
Supply chain	SM	Under-performance of sub-contractors could lead to an inability to meet timeline and quality requirements, and cause programme slippage.	Arqiva has continued to meet its network deployment milestones during FY15 (see key performance indicators on page 22).	Our contracts are worded such that the Group's risk is mitigated through contractual reimbursements. Our contracts are structured into milestones such that we are accountable to our stakeholders for our contractual obligations and our performance is managed accordingly.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering.	During FY15, Arqiva maintained its compliance with OHSAS18001 regarding safety management.	<p>Training and rescue skills courses are required on an annual basis. Rescue kits are provided.</p> <p>Arqiva maintains and regularly reviews its policy on workplace safety.</p>
Technological	TB, DP, S	Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group's DTT transmission business.	Leveraging off the development of our Connected Solutions offering to win the contract to provide engineering expertise supporting the rollout of Freeview Play.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition the Group has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its development in Connect TV – a hybrid Internet Protocol Television ('IPTV')/DTT offering.
Operational	All	Major infrastructure network or satellite failure causing multiple platform failures or service outages.		<p>There is a dedicated Business Continuity Working Group which meets on a regular basis to review plans and procedures in place and the provision of disaster recovery services.</p> <p>The Group's business continuity plans are tested to ensure that they are robust and fit for purpose and that there is the right skills mix and knowledge within the Group.</p>
	All	Networks, systems and sites are subject to security threats leading to a loss or corruption of data.		The Group maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment.
Political	TB, DP	<p>International decisions regarding the future use of the 600 / 700MHz spectrum for DTT.</p> <p>The World Radio communications Conference 2012 ('WRC-12') signalled that countries may clear the 700 MHz band of DTT in preparation for future use by Mobile Broadband. This would result in the 600MHz spectrum cleared during DSO having to be used for existing terrestrial TV.</p>	In the UK Budget announcement in March 2015, the Government stated that it will allocate up to £600m to deliver the 700 MHz spectrum clearance programme. Discussions are progressing around the grants allocation process to enable the main programme to commence.	The Group continues to engage with Ofcom and the broadcasters to ensure that Arqiva and the television industry's needs are fully considered and sufficient spectrum is available for DTT. In addition, the Group are actively engaged in the feasibility study for 700MHz clearance.
Financial	Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 34.			

## Directors' report

The Directors of Arqiva Holdings Limited ('AHL'), registered company number 03242381, ('the Company') and its subsidiaries ('the Group') submit the annual report and audited consolidated financial statements ('financial statements') in respect of the year ended 30 June 2015. The Company's ultimate parent is Arqiva Broadcast Holdings Limited ('ABHL') which, together with its subsidiaries (the 'ABHL Group'), the audited consolidated financial statements are available from the address in note 27 to these financial statements.

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

### Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 31). As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

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

Type	Description of risk/uncertainty	Management of risk
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses interest rate and inflation swaps to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. It currently has fixed rate hedging, split between interest rate swaps and inflation swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's liabilities are provided in note 16 of the ABHL annual accounts.
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 an active dialogue with lenders and investors, maintaining debt with a variety of medium and long term maturities so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date.  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 Treasury 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 uncollectable debts.  Details of the debt maturity profile are provided in note 16. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Type	Description of risk/uncertainty	Management of risk
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2015 the Group had £100m available working capital facilities and £70m cash available to cover short term cash flow timing differences if required, together with a £400m capital expenditure facility, of which £120m had been drawn in the year. In addition, the Group has £200m of liquidity facilities available to cover senior interest payments if required.
Price risk	Energy is a major component of the Group's cost base and is subject to price volatility.	A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements up to 12 months in advance. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year, forward foreign exchange contracts were used to fix the exchange rate for certain overseas revenue contracts, and cross currency swaps were utilised to fix the exchange rate in relation to US Dollar denominated Senior bonds. Details of the cross currency swaps are provided in note 17 of the ABHL annual accounts.

## Audit Committee

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

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

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

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

### Internal audit

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

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

### External audit

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

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

- the expected conversion to International Financial Reporting Standards ('IFRS'), the changes under which would apply to the Group from the 30 June 2016 year end;

- the recently published IFRS 15 'Revenue from Customer Contracts' Standard, and the implications of this new Standard on both new and existing Arqiva contracts, coming into effect for the year ended 30 June 2019;
- the expected project programme and accounting for the future 700MHz clearance project; and
- the joint IASB and FASB exposure draft on leases which continues to be evolving.

The auditor provides certain non-audit services, principally in relation to transaction support services, non-audit assurance and tax compliance. The Audit Committee ensures that appropriate safeguards of audit independence are established and applied. In line with the auditor independence requirements the principal auditor was rotated for the expression of the 2015 audit opinion.

## Equal opportunities policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability. Further information on how Arqiva supports its employees can be found on page 25 of the Strategic report.

## Creditor payment policy

The Group seeks to treat all of its suppliers fairly and it is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

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

## Charitable and political donations

Details of charitable donations can be found on page 26. No political donations were made during the year (2014: none).

## Research and development

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

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within tangible fixed assets. The Group's capital expenditure in the year was £180.5m (2014: £182.4m) and includes capitalised labour of £55.9m (2014: £43.3m). Other development costs would be capitalised within intangible fixed assets. In the year, development costs capitalised total £0.8m (2014: £0.8m), with amortisation of £0.3m (2014: £nil) charged against such capitalised development costs.

## Overseas branches

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

## Post balance sheet events

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

## Dividends and transfers to reserves

The Company has declared no dividend in the year (2014: none). The consolidated profit for the year of £164.9m (2014: £242.6m) was transferred to reserves.

## Going concern

The strategic report includes information on the structure of the business, our business environment, financial review for the year and details of the principal risks and uncertainties facing the Group. Notes 14 and 16 of the consolidated financial statements include information on the group's cash, borrowings and derivatives; and financial risk management information presented within this report. The directors are satisfied that with these forecasts alongside the Group's current funding and facilities the Group has adequate resources to continue for the foreseeable future. The directors therefore remain confident that the Group will have adequate resource to continue in operational existence for the foreseeable future and continue to adopt a going concern basis in preparing the consolidated financial statements.

## Future developments

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

The Company will continue to remain a holding company.

## Ownership and Directors

A description of the ownership of the Group and the directors holding office during the year and up to the date of signing of the financial statements can be found on page 28.

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

### Directors' indemnities

The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The indemnity was in force during the full financial year and up to the date of approval of the financial statements.

### Disclosure of information to the Independent Auditors

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

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

### Independent auditor

The auditor, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



### Michael Giles – Company Secretary

Crawley Court  
Winchester  
Hampshire  
SO21 2QA

16 October 2015

## Statement of Directors' responsibilities

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

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

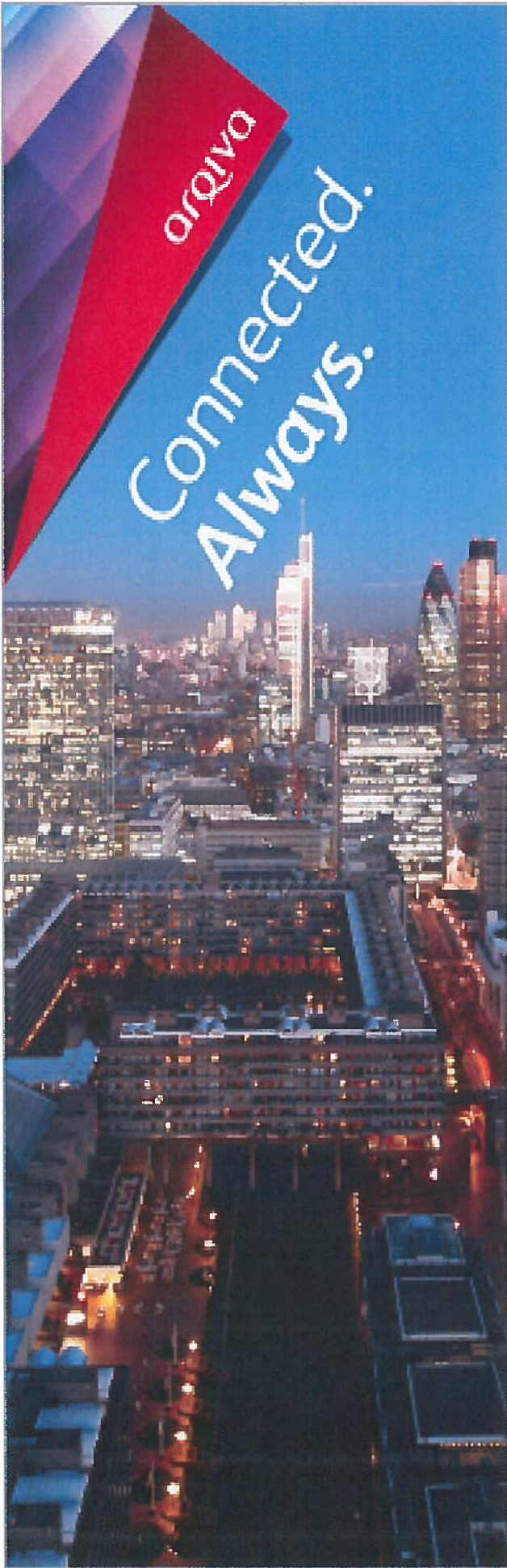
In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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





# Financial statements

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

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## Report on the financial statements

### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2015 and of the Group's profit and cash flow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The Group financial statements and Company financial statements (the "financial statements"), which are prepared by Arqiva Holdings Limited, comprise:

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

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

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

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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

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

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

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

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

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

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

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



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

20 October 2015

# Consolidated profit and loss account

	Note	Year ended 30 June 2015			Year ended 30 June 2014		
		Pre exceptional items £'m	Exceptional items £'m	Total £'m	Pre exceptional items £'m	Exceptional items £'m	Total £'m
<b>Continuing operations</b>							
Turnover (including share of joint venture):		866.3	-	866.3	837.8	-	837.8
Less: share of joint venture turnover		(12.0)	-	(12.0)	(13.9)	-	(13.9)
<b>Group turnover</b>	2	<b>854.3</b>	-	<b>854.3</b>	<b>823.9</b>	-	<b>823.9</b>
Cost of sales		(327.5)	-	(327.5)	(302.1)	-	(302.1)
<b>Gross profit</b>		<b>526.8</b>	-	<b>526.8</b>	<b>521.8</b>	-	<b>521.8</b>
Depreciation		(119.8)	-	(119.8)	(123.0)	-	(123.0)
Amortisation		(25.9)	-	(25.9)	(26.4)	-	(26.4)
Impairment		-	(33.7)	(33.7)	-	-	-
Other administrative expenses		(108.2)	(10.9)	(119.1)	(115.0)	(7.0)	(122.0)
<b>Total Administrative expenses</b>		<b>(253.9)</b>	<b>(44.6)</b>	<b>(298.5)</b>	<b>(264.4)</b>	<b>(7.0)</b>	<b>(271.4)</b>
<b>Group operating profit</b>	3,4	<b>272.9</b>	<b>(44.6)</b>	<b>228.3</b>	<b>257.4</b>	<b>(7.0)</b>	<b>250.4</b>
Share of operating profit in joint venture and associates		3.6	-	3.6	2.7	-	2.7
<b>Total operating profit: Group and share of joint venture and associates</b>		<b>276.5</b>	<b>(44.6)</b>	<b>231.9</b>	<b>260.1</b>	<b>(7.0)</b>	<b>253.1</b>
Income from investments		0.2	-	0.2	0.3	-	0.3
<b>Profit on ordinary activities before taxation and interest</b>		<b>276.7</b>	<b>(44.6)</b>	<b>232.1</b>	<b>260.4</b>	<b>(7.0)</b>	<b>253.4</b>
Interest receivable and similar income	7	33.4	-	33.4	11.4	-	11.4
Interest payable and similar charges	8	(41.8)	-	(41.8)	(38.9)	-	(38.9)
Share of joint venture interest payable		(1.2)	-	(1.2)	(1.5)	-	(1.5)
<b>Profit on ordinary activities before taxation</b>		<b>267.1</b>	<b>(44.6)</b>	<b>222.5</b>	<b>231.4</b>	<b>(7.0)</b>	<b>224.4</b>
Tax on profit on ordinary activities	9			(57.6)			18.2
<b>Profit for the financial year</b>				<b>164.9</b>			<b>242.6</b>

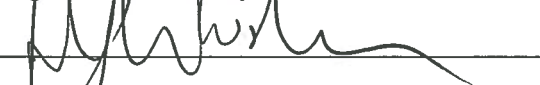
There are no material differences between profit on ordinary activities for the year above and the comparative year and their historical cost equivalents.

# Consolidated balance sheet

	Note	30 June 2015 £'m	30 June 2014 £'m
<b>Fixed assets</b>			
Intangible assets	10	219.0	265.2
Tangible assets	11	1,454.9	1,398.5
Investments	12		
<i>Investments in joint venture</i>			
- Share of gross assets		20.1	22.1
- Share of gross liabilities		(15.6)	(19.8)
- Goodwill on acquisition		-	8.2
<i>Investments in associated undertakings</i>		0.1	0.1
		4.6	10.6
		<b>1,678.5</b>	<b>1,674.3</b>
<b>Current assets</b>			
Debtors	13	1,093.7	912.1
Cash at bank and in hand	14	44.4	50.8
<b>Total current assets</b>		<b>1,138.1</b>	<b>962.9</b>
Creditors: amounts falling due within one year	15	(750.8)	(744.7)
<b>Net current assets</b>		<b>387.3</b>	<b>218.2</b>
<b>Total assets less current liabilities</b>		<b>2,065.8</b>	<b>1,892.5</b>
Creditors: amounts falling due after more than one year	16	(124.4)	(120.9)
Provisions for liabilities and charges	17	(55.2)	(47.9)
<b>Net assets excluding pension surplus</b>		<b>1,886.2</b>	<b>1,723.7</b>
Pension surplus	25	-	3.8
<b>Net assets including pension surplus</b>		<b>1,886.2</b>	<b>1,727.5</b>
<b>Capital and reserves</b>			
Called up share capital	18	1,902.5	1,902.5
Share premium	19	0.1	0.1
Merger reserve	18	(1,604.1)	(1,604.1)
Profit and loss account	18	1,587.7	1,429.0
<b>Total shareholders' funds</b>	20	<b>1,886.2</b>	<b>1,727.5</b>

The accounting policies and notes on pages 47 to 72 form part of these financial statements.

These financial statements on pages 42 to 72 were approved by the Board of Directors on 16 October 2015 and were signed on its behalf by:



Damian Walsh – Director

## Statement of group total recognised gains and losses

	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m
Profit for the financial year		
- Group	162.5	241.4
- Joint Ventures	2.4	1.2
<b>Profit for the financial year</b>	<b>164.9</b>	<b>242.6</b>
Actuarial loss on pension scheme	(6.9)	(5.3)
Movement on deferred tax relating to pension scheme	1.4	1.1
Exchange adjustment offset in reserves (translation of foreign investments)	(0.7)	0.2
<b>Total recognised gains for the year</b>	<b>158.7</b>	<b>238.6</b>
Total recognised gains for the year		
- Group	156.3	237.4
- Joint Ventures	2.4	1.2
<b>Total recognised gains for the year</b>	<b>158.7</b>	<b>238.6</b>

# Consolidated cash flow statement


	Note	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
<b>Net cash inflow from operating activities</b>	21	<b>373.3</b>	<b>344.8</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		0.5	0.4
Interest paid to external sources		(0.1)	(0.3)
Interest element of finance lease rentals		(1.1)	(1.1)
Dividends from investments		0.2	0.3
		<b>(0.5)</b>	<b>(0.7)</b>
<b>Tax paid</b>		<b>(0.5)</b>	<b>(0.4)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(194.9)	(153.7)
Purchase of intangible fixed assets		(0.6)	(1.2)
Sale of tangible fixed assets		0.5	8.1
		<b>(195.0)</b>	<b>(146.8)</b>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings (including payment of deferred consideration)		-	(3.1)
Cash acquired with subsidiary undertakings		-	0.1
		<b>-</b>	<b>(3.0)</b>
<b>Financing</b>			
Finance lease capital		(0.2)	(0.5)
Receipt of borrowings from Group undertakings		-	41.9
Loans to parent undertakings		(183.3)	(267.0)
Loans to associates and joint ventures		(0.2)	(0.2)
		<b>(183.7)</b>	<b>(225.8)</b>
<b>Decrease in net cash</b>	22	<b>(6.4)</b>	<b>(31.9)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 July		328.8	139.5
Decrease in net cash		(6.4)	(31.9)
Movement in financing		183.7	225.8
Other non-cash changes		19.1	(4.6)
<b>Net funds at 30 June</b>	22	<b>525.2</b>	<b>328.8</b>

# Company balance sheet

	Note	30 June 2015 £'m	30 June 2014 £'m
<b>Fixed assets</b>			
Investments	12	2,019.4	2,019.4
		<b>2,019.4</b>	<b>2,019.4</b>
<b>Current assets</b>			
Debtors	13	64.8	64.8
Cash at bank and in hand		-	-
<b>Total current assets</b>		<b>64.8</b>	<b>64.8</b>
Creditors: amounts falling due within one year	15	(207.8)	(189.0)
<b>Net current liabilities</b>		<b>(143.0)</b>	<b>(124.2)</b>
<b>Total assets less current liabilities</b>		<b>1,876.4</b>	<b>1,895.2</b>
<b>Net assets</b>		<b>1,876.4</b>	<b>1,895.2</b>
<b>Capital and reserves</b>			
Called up share capital	18	1,902.5	1,902.5
Share premium account	19	0.1	0.1
Profit and loss reserve	18	(26.2)	(7.4)
<b>Total shareholders' funds</b>	20	<b>1,876.4</b>	<b>1,895.2</b>

The accounting policies and notes on pages 47 to 72 form part of these financial statements.

The financial statements on pages 42 to 72 were approved by the Board of Directors on 16 October 2015 and were signed on its behalf by:



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Damian Walsh - Director



# Notes to the financial statements

## 1 Principal accounting policies

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

### (a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention and under merger accounting principles in accordance with FRS 6 'Acquisitions and mergers'. The Company is exempt under Section 408 Companies Act 2006 from the requirement to present its own profit and loss account.

The Company made a loss for the year to 30 June 2015 of £18.8m (2014: loss of £17.1m).

### (b) Basis of consolidation

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

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

### (c) Tangible fixed assets and depreciation

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

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

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	20 – 80 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated.

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

### (d) Turnover

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

## 1 Principal accounting policies (continued)

### (e) Intangible fixed assets and amortisation

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

#### Research and Development costs

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

#### Licences

Licences acquired (typically to provide radio and WiFi services) are capitalised and amortised on a straight line basis over their licence period.

#### Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

#### Access rights

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

### (f) Fixed asset investments

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

### (g) Foreign currencies

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

### (h) Leasing commitments

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

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

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

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

## 1 Principal accounting policies (continued)

### (i) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

### (j) Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

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

### (k) Post retirement benefits

#### Defined contribution schemes

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

#### Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities. Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax.

### (l) Cash at bank and in hand

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

### (m) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable on deposits and payable on borrowings and finance leases.

### (n) Government grants

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

## 2 Turnover and segmental reporting

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

Turnover is recognised as services are provided. Cash received or invoices raised in advance is taken to deferred income and recognised as turnover when service is provided. Where consideration received in advance is discounted reflecting a significant financing component it is reflected within turnover and interest payable and similar charges. Turnover recognised in advance of cash received or invoices raised is taken to accrued income.

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

The geographical split of turnover by destination is shown below:

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
UK	768.1	725.9
Continental Europe (including Republic of Ireland)	44.5	52.5
Rest of World	41.7	45.5
<b>Group turnover</b>	<b>854.3</b>	<b>823.9</b>

The geographical split of turnover by origin is shown below:

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
UK	835.1	800.5
Continental Europe (including Republic of Ireland)	11.5	15.2
Rest of World	7.7	8.2
<b>Group turnover</b>	<b>854.3</b>	<b>823.9</b>

## 2 Turnover and segmental reporting (continued)

### Segmental reporting

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

	Terrestrial Broadcast	Satellite and Media	Digital Platforms	Telecoms	Smart Metering (M2M)	Total
	£'m	£'m	£'m	£'m	£'m	£m
Turnover for the year ended:						
30 June 2015	249.5	149.6	156.0	279.9	19.3	854.3
30 June 2014	255.3	163.4	139.0	251.8	14.4	823.9

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

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

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

## 3 Operating profit

Operating profit is stated after charging / (crediting):

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
Depreciation of owned fixed assets	119.4	122.5
Depreciation of assets held under finance lease	0.4	0.5
Impairment of owned fixed assets	3.5	-
Amortisation of goodwill in respect of subsidiaries	23.3	23.5
Impairment of goodwill in respect of subsidiaries	22.3	-
Amortisation of intangible assets	2.1	2.4
Amortisation of investments in joint ventures	0.5	0.5
Impairment of investments in joint ventures	7.9	-
Operating lease rentals:		
- Land, buildings and other infrastructure	47.9	43.6
- Plant and machinery	2.0	1.8
Loss on disposal of tangible fixed assets	0.3	0.8
Foreign exchange losses	0.3	0.2
Research and development expenditure	1.4	2.3
Grant income	(0.7)	(1.2)

### 3 Operating profit (continued)

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

During the year, the Group obtained the following services from the Group's Auditor at costs as detailed below:

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.1	0.2
<b>Non-audit services</b>		
Other assurance services	0.3	0.4
Services relating to taxation	-	0.1
All other services	-	-
<b>Total cost of services provided by the Group's Auditor</b>	<b>0.5</b>	<b>0.8</b>

### 4 Exceptional items

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

Profit on ordinary activities before taxation is stated after charging:

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
<b>Administrative expenses</b>		
- Reorganisation and severance	(10.9)	(6.2)
- Other one off activities	-	(0.8)
- Impairment	(33.7)	-
<b>Total exceptional items</b>	<b>(44.6)</b>	<b>(7.0)</b>

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

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

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

#### Company

The Company has no exceptional items (2014: none).

## 5 Staff costs

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

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	Number	Number
Terrestrial Broadcast	551	550
Satellite and Media	361	349
Digital Platforms	47	37
Telecoms	421	365
Smart Metering (M2M)	73	39
Technology and Corporate functions	692	650
<b>Total staff numbers</b>	<b>2,145</b>	<b>1,990</b>

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

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
Wages and salaries	133.3	123.8
Social security costs	14.3	13.3
Other pension costs	11.2	10.0
<b>Total staff costs</b>	<b>158.8</b>	<b>147.1</b>

## 6 Directors' emoluments

During the year four Directors (2014: four) were employees of Arqiva Limited, a subsidiary company, two of which were members of a defined contribution pension scheme (2014: two).

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

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Aggregate emoluments	1.7	2.2
Aggregate emoluments (excluding shares) receivable under long term incentive schemes	0.3	0.4
Compensation for loss of office	0.1	-
Contributions to defined contribution pension schemes	0.1	0.1
<b>Total emoluments</b>	<b>2.2</b>	<b>2.7</b>

All other Directors were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's emoluments in respect of each of their service to the Company and the Group except where sums are paid to third parties in respect of services. Accordingly, the details set out in the table above include no emoluments in respect of these Directors other than in relation to sums paid to third parties in respect of services.

### Highest paid director

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

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
Aggregate emoluments including amounts (excluding shares) receivable under long term incentive plans	1.2	1.4
Contributions to defined contribution pension schemes	0.1	0.1
<b>Total emoluments</b>	<b>1.3</b>	<b>1.5</b>



## 7 Interest receivable and similar income

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
Bank interest	0.2	0.2
Finance lease interest receivable	0.3	0.2
Interest receivable from parent undertakings	31.1	9.5
Other interest	1.8	1.5
<b>Total interest receivable</b>	<b>33.4</b>	<b>11.4</b>

## 8 Interest payable and similar charges

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
Bank loan interest and overdrafts	0.1	0.1
Interest payable to parent undertakings	28.3	25.7
Finance lease interest	1.1	1.1
Other interest	14.0	12.0
	43.5	38.9
Less: capitalised interest	(1.7)	-
<b>Total interest payable</b>	<b>41.8</b>	<b>38.9</b>

## 9 Tax on profit on ordinary activities

	Group Year ended 30 June 2015 £'m	Group Year ended 30 June 2014 £'m
<b>(a) Analysis of tax credit for the year</b>		
<b>Current tax</b>		
Overseas tax	0.5	0.5
<b>Total current tax</b>	<b>0.5</b>	<b>0.5</b>
<b>Deferred tax</b>		
Origination of timing differences	-	(21.4)
De-recognition of deferred tax assets	56.6	-
Deferred tax on pension liability charged to profit and loss account	0.5	2.7
Impact of UK corporation tax rate change	-	4.6
Prior year adjustment	-	(4.6)
<b>Total deferred tax</b>	<b>57.1</b>	<b>(18.7)</b>
<b>Tax on profit on ordinary activities</b>	<b>57.6</b>	<b>(18.2)</b>

### (b) Factors affecting the current tax charge for the year

The tax charge assessed for the year is different (2014: different) to the standard rate of tax in the UK of 20.75% (2014: 22.50%). The differences are explained below:

Profit on ordinary activities before taxation	222.5	224.4
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 20.75% (2014: 22.50%)	46.2	50.5
Expenses not deductible for tax purposes	0.8	0.9
Amortisation and impairment of goodwill and investments	11.2	5.3
Depreciation in excess of capital allowances	20.9	22.6
Non qualifying depreciation	4.6	4.8
Associate / joint venture result with no tax applicable	(0.5)	(0.7)
Utilisation of recognised tax losses	(1.2)	(1.4)
Other timing differences	(1.6)	-
Loss on disposal of fixed assets	-	0.3
Tax losses received for nil consideration	(79.9)	(81.8)
<b>Total current tax</b>	<b>0.5</b>	<b>0.5</b>

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

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

## 10 Intangible assets

Group	Licences	Development costs	Access rights	Goodwill	Total
	£'m	£'m	£'m	£'m	£'m
<b>Cost</b>					
At 1 July 2014	5.9	1.8	32.5	529.6	569.8
Additions	0.7	0.8	-	-	1.5
Disposals	(1.9)	-	-	-	(1.9)
<b>At 30 June 2015</b>	<b>4.7</b>	<b>2.6</b>	<b>32.5</b>	<b>529.6</b>	<b>569.4</b>
<b>Accumulated amortisation</b>					
At 1 July 2014	3.2	1.0	26.3	274.1	304.6
Charged in the year	0.5	0.3	1.3	23.3	25.4
Impairment	-	-	-	22.3	22.3
Disposals	(1.9)	-	-	-	(1.9)
<b>At 30 June 2015</b>	<b>1.8</b>	<b>1.3</b>	<b>27.6</b>	<b>319.7</b>	<b>350.4</b>
<b>Net book value</b>					
<b>At 30 June 2015</b>	<b>2.9</b>	<b>1.3</b>	<b>4.9</b>	<b>209.9</b>	<b>219.0</b>
At 30 June 2014	2.7	0.8	6.2	255.5	265.2

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

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

### Company

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

## 11 Tangible assets

Group	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£'m	£'m	£'m	£'m	£'m
<b>Cost</b>					
At 1 July 2014	210.5	93.3	1,956.6	135.7	2,396.1
Additions	-	-	18.0	162.5	180.5
Completion of AUC	9.5	2.2	104.4	(116.1)	-
Disposals	(0.1)	(0.5)	(26.7)	-	(27.3)
<b>At 30 June 2015</b>	<b>219.9</b>	<b>95.0</b>	<b>2,052.3</b>	<b>182.1</b>	<b>2,549.3</b>
<b>Accumulated depreciation</b>					
At 1 July 2014	37.7	37.4	922.5	-	997.6
Charge for the year	3.7	3.2	112.9	-	119.8
Impairment	0.4	0.1	3.0	-	3.5
Disposals	(0.1)	(0.5)	(25.9)	-	(26.5)
<b>At 30 June 2015</b>	<b>41.7</b>	<b>40.2</b>	<b>1,012.5</b>	<b>-</b>	<b>1,094.4</b>
<b>Net book value</b>					
<b>At 30 June 2015</b>	<b>178.2</b>	<b>54.8</b>	<b>1,039.8</b>	<b>182.1</b>	<b>1,454.9</b>
At 30 June 2014	172.8	55.9	1,034.1	135.7	1,398.5

The Group's fixed and other assets have been pledged as security under the terms of the Group's external debt facilities (see note 25).

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

Freehold land included above but not depreciated amounts to £85.8m (2014: £85.8m).

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

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

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

### Company

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

## 12 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Aerial UK Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant 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 Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100% (held directly)
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 services	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Pension Trust Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant services	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100% (held directly)
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva WiFi Limited	United Kingdom	WiFi services	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablu Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
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%

## 12 Investments (continued)

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
JFMG Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
NWP Street Limited	United Kingdom	WiFi services	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
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%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
<b>Joint ventures</b>				
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex license	31-Dec	40%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30-Jun	24.99%
YouView TV Limited	United Kingdom	Open source IPTV development	31-Mar	14.30%
<b>Associate undertakings:</b>				
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31-Dec	25%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	30-Jun	25%
Digital UK Limited	United Kingdom	Transmission services	30-Jun	25%
DTV Services Limited	United Kingdom	Freeview market services	31-May	20%

## 12 Investments (continued)

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

Company	Arqiva Limited	Arqiva Services Limited	Total
	£'m	£'m	£'m
<b>At 1 July 2014 and at 30 June 2015</b>	<b>1,724.9</b>	<b>294.5</b>	<b>2,019.4</b>

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

## 13 Debtors

	Group 30 June 2015 £'m	Group 30 June 2014 £'m	Company 30 June 2015 £'m	Company 30 June 2014 £'m
Trade debtors	70.9	74.2	-	-
Amounts owed by Group undertakings	894.9	669.9	64.8	64.8
Amounts owed by joint ventures (note 26)	0.5	0.3	-	-
Other debtors	6.9	12.0	-	-
Prepayments and accrued income	120.5	99.1	-	-
Deferred tax asset	-	56.6	-	-
<b>Total debtors</b>	<b>1,093.7</b>	<b>912.1</b>	<b>64.8</b>	<b>64.8</b>

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

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest has been charged on £466.2m at 9.5% and £428.7m at 0% for Group balances (2014: £252.2m at 9.5% and £417.7m at 0%), and £64.8m at 0% for Company balances (2014: £64.8m at 0%).

Under the terms of the intercompany agreements the Group is only entitled to demand repayment of the loans to the extent surplus cash is available to do so and if this would not cause any of the Group undertakings to become insolvent.

## 13 Debtors (continued)

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

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

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

There is an unrecognised deferred tax asset of £80.1m (2014: £nil). This is in respect of tax losses (2015: £3.4m; 2014: £nil) and depreciation in excess of capital allowances (2015: £76.7m; 2014: £nil). These are not anticipated to be utilised in the foreseeable future. This value has been calculated based on the UK corporation tax rate of 20% (the rate substantively enacted at the balance sheet date). This unrecognised deferred tax asset is anticipated to be utilised when there is taxable income in the relevant Group entities to utilise the losses previously generated. The timing of future taxable profits which would exceed the level of allowable interest deductions and capital allowances is such that it is subject to estimation uncertainty and accordingly it is considered prudent to de-recognise the deferred tax asset that was recognised as at 30 June 2014 and not to recognise any further deferred tax assets for the year to 30 June 2015.

### Finance leases

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

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

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

## 14 Cash at bank and in hand

	Group 30 June 2015 £'m	Group 30 June 2014 £'m
Cash at bank	3.6	15.8
Short term deposits	40.8	35.0
<b>Total cash</b>	<b>44.4</b>	<b>50.8</b>

### Company

The Company has no cash at bank and in hand (2014: £nil).



## 15 Creditors: amounts falling due within one year

	Group 30 June 2015 £'m	Group 30 June 2014 £'m	Company 30 June 2015 £'m	Company 30 June 2014 £'m
Trade creditors	44.4	77.5	-	-
Amounts owed to Group undertakings	400.9	378.2	207.8	189.0
Other taxes and social security costs	24.3	15.7	-	-
Other creditors	5.9	10.2	-	-
Accruals and deferred income	274.9	262.8	-	-
Finance lease obligations	0.4	0.3	-	-
<b>Total creditors: amounts falling due within one year</b>	<b>750.8</b>	<b>744.7</b>	<b>207.8</b>	<b>189.0</b>

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

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest has been charged on £303.5m at 9.5% and £97.4m at 0% (2014: £284.7m at 9.5% and £93.5m at 0%), and £207.8m at 9.5% for Company balances (2014: £189.0m at 9.5%).

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

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

	Group 30 June 2015 £'m	Group 30 June 2014 £'m
Accruals and deferred income	111.0	107.2
Finance lease	13.4	13.7
<b>Total creditors: amounts falling due after more than one year</b>	<b>124.4</b>	<b>120.9</b>

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

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

### Maturity of loans

The total loans analysed below represent finance lease obligations falling due within one year (see note 15) and finance lease obligations falling due after more than one year.

	Group 30 June 2015 £'m	Group 30 June 2014 £'m
Within one year	0.4	0.3
In more than one year, but not more than five years	1.9	1.7
In more than five years	11.5	12.0
<b>Total loans</b>	<b>13.8</b>	<b>14.0</b>

### Company

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

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

### Finance leases

Future minimum payments under finance leases are as follows:

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

## 17 Provisions for liabilities and charges

Group	Onerous contract	Decommissioning	Restructuring	Remediation	Other	Total
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 July 2014	2.0	38.7	3.2	3.5	0.5	47.9
Released to profit and loss account	-	-	(0.2)	-	-	(0.2)
Charged to profit and loss account	3.4	-	17.4	0.4	-	21.2
Changes relating to movements in the discounted amount	-	1.7	-	-	-	1.7
Utilised	(0.2)	(0.6)	(14.6)	-	-	(15.4)
<b>At 30 June 2015</b>	<b>5.2</b>	<b>39.8</b>	<b>5.8</b>	<b>3.9</b>	<b>0.5</b>	<b>55.2</b>

The onerous contract provisions relate to supplier contracts where the costs are expected to exceed the benefits, and onerous lease contracts where the buildings are empty but lease costs are being incurred. The provisions are expected to be utilised over the next five years.

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 19 years.

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

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

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

### Company

The Company has no provisions (2014: nil).

## 18 Share capital and reserves

	Share capital	Merger reserve	Profit and loss account
	£'m	£'m	£'m
<b>Group</b>			
At 1 July 2014	1,902.5	(1,604.1)	1,429.0
Actuarial loss on pension scheme	-	-	(6.9)
Movement on deferred tax relating to pension asset	-	-	1.4
Profit for the financial year	-	-	164.9
Exchange adjustments offset in reserves (translation of foreign investments)	-	-	(0.7)
<b>At 30 June 2015</b>	<b>1,902.5</b>	<b>(1,604.1)</b>	<b>1,587.7</b>
<b>Company</b>			
At 1 July 2014	1,902.5	-	(7.4)
Loss for the financial year	-	-	(18.8)
<b>At 30 June 2015</b>	<b>1,902.5</b>	<b>-</b>	<b>(26.2)</b>

The merger reserve arises as a result of the acquisition of the Arqiva Limited sub-group in 2012.

Company	30 June 2015 £'m	30 June 2014 £'m
<b>Allotted, called up and fully paid:</b>		
1,902,534,934 (2014: 1,902,534,934) ordinary shares of £1 each	<b>1,902.5</b>	<b>1,902.5</b>

## 19 Share premium account

Group and Company	Share Premium Account £'m
At 1 July 2014 and at 30 June 2015	<b>0.1</b>

## 20 Reconciliation of movements in shareholders' funds

	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m
<b>Group</b>		
Profit for the financial year	164.9	242.6
Other recognised gains and losses relating to the year	(6.2)	(4.0)
<b>Net change in shareholders' funds</b>	<b>158.7</b>	<b>238.6</b>
Opening shareholders' funds	1,727.5	1,488.9
<b>Closing shareholders' funds</b>	<b>1,886.2</b>	<b>1,727.5</b>
<b>Company</b>		
Loss for the financial year	(18.8)	(17.1)
<b>Net change in shareholders' funds</b>	<b>(18.8)</b>	<b>(17.1)</b>
Opening shareholders' funds	1,895.2	1,912.3
<b>Closing shareholders' funds</b>	<b>1,876.4</b>	<b>1,895.2</b>

## 21 Cash flow from operating activities

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

	Group Year ended 30 June 2015	Group Year ended 30 June 2014
	£'m	£'m
Operating profit	228.3	250.4
Depreciation charge	119.8	123.0
Amortisation charge	25.9	26.4
Impairment of goodwill	30.2	-
Impairment of tangible fixed assets	3.5	-
Loss on disposal of tangible fixed assets	0.3	0.8
(Decrease) / increase in debtors	(13.0)	17.2
Increase in creditors	(27.4)	(65.3)
Increase / (decrease) in provisions	5.5	(7.7)
Dividends received from associates	0.2	-
<b>Net cash inflow from operating activities</b>	<b>373.3</b>	<b>344.8</b>

Net cash inflow from operating activities includes cash outflows relating to exceptional items of £5.8m (2014: £7.1m). The exceptional costs accrued at 30 June 2015 are expected to be paid within the next financial year.

## 22 Analysis of changes in net funds

	Note	At 30 June 2014 £'m	Cash flows £'m	Non-cash changes £'m	At 30 June 2015 £'m
Cash at bank and in hand	14	50.8	(6.4)	-	44.4
Amounts owed by group undertakings	13,15	291.7	183.3	19.1	494.1
Loans to joint ventures	13	0.3	0.2	-	0.5
Finance leases	15,16	(14.0)	0.2	-	(13.8)
<b>Total</b>		<b>328.8</b>	<b>177.3</b>	<b>19.1</b>	<b>525.2</b>

Major non-cash changes include movements in intercompany balances representing interest charges rolled-up into loan capital.

## 23 Commitments for expenditure

### Capital commitments

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

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

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

### Operating leases

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

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

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

Other annual lease commitments expiring:

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

## 24 Contingent liabilities

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

## 25 Pension commitments

### Defined benefit scheme

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

### Triennial valuation

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, had resulted in an assessed deficit of £17.4m. Gross plan liabilities at the valuation date were £130.5m compared to gross plan assets of £113.1m. Arqiva Limited has agreed with the trustee to make deficit recovery payments into the Plan during 2013 (£5.7m) and 2014 (£5.7m), with one further payment made of £4.1m in July 2015. A new triennial valuation will be finalised as at 30 June 2014 in the coming months. The FRS 17 valuation as at 30 June 2015 has been prepared on the preliminary results of the 30 June 2014 triennial valuation.

### FRS 17 assumptions

The assumptions used for the scheme for the purpose of the FRS 17 accounting position as at the year end are set out below, along with the fair value of assets of £196.5m (2014: 174.4m), a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities of £189.9m (2014: £169.7m) and the deficit / surplus of assets below / above the FRS 17 liabilities (which equals the gross pension asset of £nil (2014: £3.8m)).

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

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

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

## 25 Pension commitments (continued)

### Asset distribution and long term rate of return expected

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

### Balance sheet

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

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

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

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

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

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

## 25 Pension commitments (continued)

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

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

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

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

The following amounts have been included within operating profit:

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

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

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

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



## 25 Pension commitments (continued)

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

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

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

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

The history of experience gains and losses is:

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

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

### Other pension schemes

#### Arqiva Limited

Arqiva Limited has operated a defined contribution scheme during the year, for those employees who are not members of the Defined Benefit scheme described above. Contributions payable in respect of this scheme for the year were £6.4m (2014: £5.4m). The assets of the scheme are held outside of the Group.

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

## 26 Related party disclosures

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

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

### Related party transactions:

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

In 2015 the Group received a dividend from YouView TV Limited, a joint venture company, of £0.2m (2014: £0.3m).

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

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

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

There were no other related party transactions for the year ended 30 June 2015.

## 27 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent is Arqiva Telecoms Investment Limited ('ATIL'). Arqiva Group Parent Ltd ('AGPL') is the parent undertaking of the smallest group to consolidate these financial statements.

ABHL is the ultimate UK parent undertaking and is the parent undertaking of the largest UK group to consolidate these financial statements.

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

## 28 Controlling parties

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