Arqiva Broadcast Parent Limited
and
Arqiva Group Parent Limited

Financial Report

Year ended 30 June 2018

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This Financial Report has been prepared pursuant to Condition 4.5 of the Junior Notes (£600m of notes issued by Arqiva Broadcast Finance plc) and pursuant to Paragraph 5.1 and Paragraph 5.4 of Schedule 2 of the CTA and certain information reporting covenants of the Notes. The date of this Financial Report is 6 September 2018. Unless otherwise defined herein, capitalised terms have the meanings given in the final offering prospectus for the multicurrency programme for the issuance of Senior Notes dated 21 February 2013. This Financial Report has been prepared by the Group (Arqiva Broadcast Parent Limited, Arqiva Group Parent Limited and their subsidiaries) and may be amended and supplemented and may not be relied upon for the purposes of entering into any transaction. Although the Group has taken all reasonable care to ensure that the information herein is accurate and correct, neither of the Group, nor any of its respective directors, officers, employees, shareholders, affiliates, agents, advisers, other representatives (collectively, Representatives) makes any additional representation, warranty or undertaking, express or implied, as to the fairness, accuracy, completeness or correctness of the information or the opinions contained herein or any other material discussed in the Financial Report.

The financial information set forth in this Financial Report has been subjected to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row. Percentage figures included in this Financial Report have not been calculated on the basis of rounded figures but have been calculated on the basis of such amounts prior to rounding.

The views reflected herein are solely those of the Group and are subject to change without notice. All estimates, projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of the matters described herein and may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance. Certain analysis is presented herein and is intended solely for purposes of indicating a range of outcomes that may result from changes in market parameters. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes, one of which may be that the investment value declines to zero.

FORWARD LOOKING STATEMENTS

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

The risks and uncertainties referred to above include:

- *actions or decisions by governmental and regulatory bodies, or changes in the regulatory framework in which the Group operates, which may impact the ability of the Group to carry on its businesses;*
- *changes or advances in technology, and availability of resources such as spectrum, necessary to use new or existing technology, or customer and consumer preferences regarding technology;*

- *the performance of the markets in the UK, the EU and the wider region in which the Group operates;*
- *the ability of the Group to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;*
- *the ability of the Group to develop, expand and maintain its broadcast and telecommunications infrastructure;*
- *the ability of the Group to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;*
- *the Group's dependency on only a limited number of key customers for a large percentage of its revenue; and*
- *expectations as to revenues not under contract.*

INDUSTRY AND MARKET INFORMATION

This Financial Report may include market share and industry data which the Group obtained from industry publications and surveys, industry reports prepared by consultants, internal data and customer feedback. None of the third party sources has made any representation, express or implied, and has not accepted any responsibility, with respect to the accuracy or completeness of any of the information contained in this Financial Report.

These third party sources generally state that the information they contain has been obtained from sources believed to be reliable. However, these third party sources also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Group does not have access to all of the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third party sources, the Group is unable to verify such information and cannot guarantee its accuracy, fairness or completeness. Similarly, internal surveys, industry forecasts and market research have not been independently verified.

In addition, certain information in this Financial Report may not be based on published data obtained from independent third parties or extrapolations thereof but on information and statements reflecting the Group's best estimates based upon information obtained from trade and business organisations and associations, consultants, and other contacts within the industries in which the Group operates, as well as information published by the Group's competitors. Such information is based on the following: (i) in respect of the Group's market position, information obtained from trade and business organisations and associations and other contacts within the industries in which the Group operates, and (ii) in respect of industry trends, the Group's senior management team's business experience and experience in the industry and the markets in which the Group operates. The Group cannot assure you that any of the assumptions that it has made in compiling this data are accurate or correctly reflect the Group's position in its markets.

DESCRIPTION OF BUSINESS

Arqiva is one of the UK's leading communications infrastructure and media services providers. With significant investments in essential communications infrastructure, the Group is the leading independent telecom towers operator and the sole terrestrial broadcast network provider in the UK. The Group's core infrastructure business (comprising terrestrial broadcast, digital platforms, wireless site-share, smart metering and satellite infrastructure) generates predictable operating profits, supported by strong market positions, diverse revenue streams and long-life assets. A significant proportion of the Group's revenues come from long-term inflation-linked contracts. The Group had a contracted orderbook of £5.0bn as at 30 June 2018.

The Group enjoys the following key competitive advantages:

- regulated position as the sole UK national provider of network access ('NA') and managed transmission services ('MTS') for terrestrial television broadcasting, the most popular television broadcast platform in the UK in terms of platform take-up. The Group owns and operates the television transmission network used for digital terrestrial television ('DTT') broadcasting in the UK and has long-term contracts with public service broadcaster ('PSB') customers (who depend on the Group to meet the obligations under their licences to provide coverage to 98.5% of the UK population) as well as with commercial broadcasters;

- market leader for commercial spectrum used for the transmission of DTT, owning two of the three main national commercial Multiplexes. The Group owns a further two High Definition ('HD') capable DTT (DVB-T2) Multiplexes for additional services on Freeview and DTT related platforms in the DVB-T2 format. DTT video streams in the UK are more valuable to broadcasters than either satellite or cable video streams, due to DTT's extensive viewer coverage, uptake and the more limited number of commercial streams on the overall platform;

- regulated position as the leading UK national provider of NA and MTS for radio broadcasting. The Group provides NA for 100% of the analogue and DAB digital radio transmission market in the UK and 90% for MTS. Arqiva wholly owns D1, the largest national commercial digital radio multiplex; is the largest shareholder in SDL, the second national commercial digital radio multiplex; and holds 25 of the UK's 57 local radio licences as at 30 June 2018;

- largest independent provider of wireless infrastructure sites in the UK, with c. 8,000 active licensed sites (including contractual options) with prominence in rural and suburban areas. These are licensed to Mobile Network Operators ('MNOs') and other wireless network operators. In addition, Arqiva is a provider of installation services for upgrades and rollouts. Access to Arqiva's active site portfolio is mission-critical for MNOs, to meet national coverage obligations stipulated by their spectrum licences;

- a leading provider of smart metering and M2M communications. Contracts include: supply of smart metering communication services in Northern England and Scotland for electricity and gas to approximately 9.3 million premises; smart water metering network for Thames Water that is expected to cover 3 million homes once fully deployed, and trial contracts with Anglian Water for smart water metering deployment;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK. The Group is the market leader in the managed proposition market, with an estimated outsourced market share of approximately 48% of fully managed channels as of 30 June 2018; and

- a significant proportion of revenue from long-term contracts enjoys RPI-linked increases.

- access to commercial wireless networks in 14 London boroughs and 4 UK towns and cities with c. 229,000 municipal street furniture sites for the provision of Small Cells in the London Boroughs. The Group also has a leading position in providing neutral host In-Building Solutions and Distributed Antenna Systems (DAS), with 46 systems installed in locations including Canary Wharf, Selfridges and Bluewater;

FINANCIAL RESULTS AND RECENT DEVELOPMENTS

The following discussion of the Group's financial condition and results of operations should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 June 2018 and the related notes to those consolidated financial statements.

Some of the statements contained below, including those concerning future revenues, costs, capital expenditures, acquisitions and financial condition, may contain forward-looking statements. As such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward-looking statements. A discussion of such uncertainties is provided under "Forward Looking Statements."

Where the financial results for both Arqiva Broadcast Parent Limited and Arqiva Group Parent Limited are identical, the financial tables and commentaries have been presented in this report only once and should be viewed as referring to both groups. Where the financial results are different, the financial tables include a break to separate the results and separate commentaries have been provided under the appropriate sub-headings.

Results of operations for the prior year or the recent period are not necessarily indicative of the result to be expected for any future period. Some of the performance indicators and ratios reported herein, such as EBITDA, are not financial measures defined in accordance with IFRS or UK GAAP and, as such, may be calculated by other companies using different methodologies and having different results. Therefore, these performance indicators and ratios are not directly comparable to similar figures and ratios reported by other companies.

EXECUTIVE SUMMARY

The Financial Overview and Recent Developments discussed in this section relate to both Arqiva Broadcast Parent Limited ('ABPL') and Arqiva Group Parent Limited ('AGPL'), together the 'Group'.

The trading results of the two consolidation groups are aligned but with different financing structures. Commentary relates to both ABPL (including senior and junior debt) and AGPL (senior debt only) unless specified otherwise. Items which relate to both ABPL and AGPL discussed in the Financial Results section from page 13 onwards appear in shaded boxes for ease of reference.

Financial Overview

The following table summarises the headline financials for the period:

	Year Ended 30 June 2018	Year Ended 30 June 2017	% Change
	(Audited) £ millions		
Terrestrial Broadcast	487.6	449.0	8.6%
Telecoms & M2M[1]	341.3	345.4	(1.2)%
Satellite and Media	133.5	146.9	(9.1)%
Total Group revenue	**962.4**	**941.3**	**2.2%**
Terrestrial Broadcast	360.8	329.4	9.5%
Telecoms & M2M	178.1	155.1	14.8%
Satellite and Media	33.8	35.0	(3.4)%
Other[2]	(55.2)	(46.0)	(20.0)%
Total EBITDA (excluding exceptional items)	**517.5**	**473.5**	**9.3%**
Total EBITDA (including exceptional items)	**508.0**	**444.0**	**14.4%**
Operating Profit	**328.1**	**291.1**	**12.7%**
Net cash inflow from operating activities	572.1	489.7	16.8%
Net capital expenditure and financial investment	(164.8)	(161.3)	(2.2)%
Operating cash flow after capital and financial investment activities	**413.1**	**351.6**	**17.5%**

The revenue above is the reported revenue for the Group. The prior year period includes revenue totalling £7.2m (current year: £nil) from the WiFi business that was disposed of within that year. Excluding these disposals, like for like revenue growth from continuing operations was 3.0%.

[1] For the avoidance of doubt, the Smart Metering machine-to-machine ('M2M') financials included in this report refer solely to the ABPL and AGPL financials. They do not include any revenue earned outside of these junior and senior financing groups.

[2] Other refers to the Group's corporate business unit, e.g. the Group's finance, legal, HR and IT services.

Further explanation of the year on year movements are provided on page 13 and onwards.

EBITDA for the Group excluding exceptional items was £517.5m, representing a 9.3% increase from £473.5m in the prior year.

EBITDA for the Group including exceptional items was £508.0m, up 14.4% compared with the prior year result of £444.0m. Exceptional items charged to operating profit in both the current year and prior year predominantly relate to reorganisation costs resulting from the Group's FutureFit efficiency programme and costs associated with the shareholders' strategic review.

The Group's operating profit for the year was £328.1m, an increase of 12.7% from £291.1m in the prior year.

Net cash inflow from operating activities for the year ended 30 June 2018 was £572.1m compared to £489.7m, representing a 16.8% increase from the prior year. The increase was primarily due to higher EBITDA (as described above) as well as a working capital inflow of £64.0m for the period versus an inflow of £45.7m in the prior year. This is principally due to additional deferred income recognised partially offset by a decrease in provisions following the payment of compensation for the alignment of employee terms and conditions.

Net capital expenditure and financial investment in the year ended 30 June 2018 was £164.8m compared with £161.3m in the prior year.

Recent Developments since 31 March 2018

Terrestrial Broadcast

Freeview investment to transition to a hybrid platform
The UK's top broadcast companies have signed a new five-year agreement to accelerate Freeview's transition to a fully hybrid platform, providing the best in free-to-view live and on-demand TV. The collaboration between the BBC, ITV, Channel 4 and Arqiva – the four shareholders of Digital UK – will see an investment of £125 million over the next five years to build on the success of Freeview Play, the UK market leader in free-to-view connected TV.

Alongside the ongoing support for the Freeview platform, new developments will include a mobile application and improvements in content discoverability and navigation. The agreement to invest in developing Freeview as a fully hybrid platform reflects the complementary strength of linear TV and the growth of on-demand viewing.

Since launch in 2015, more than three-and-a-half million Freeview Play products have been sold in the UK from brands including Panasonic, LG, Sony, Sharp, JVC, Hitachi, Toshiba and Humax, accounting for around 60% of smart TV sales. The service gives UK viewers a seamless combination of live and on-demand content all in one place with no monthly subscription.

Digital Platforms channel utilisation
As at 30 June 2018, the Group had capacity of 31 videostreams on its main multiplexes, all of which were utilised. Ongoing high levels of Multiplex utilisation demonstrates the on-going attractiveness to broadcasters of the Freeview DTT platform.

700 MHz Clearance and DTT spectrum
The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned for use by the mobile network providers, a change that is being adopted across Europe, Africa, the Middle East and central Asia.

The Group is contracted with the major broadcasters and Ofcom for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery remains on track and the Group earns revenues and cashflows as the programme is completed. All Clearance events scheduled to the end of August 2018 have been completed successfully in line with the programme requirements and the programme rollout is planned to continue to May 2020.

Digital radio (DAB) rollout
Arqiva's long term strategy of supporting DAB digital radio take-up continues to show positive results. The UK's official radio listening data, produced by RAJAR, confirms that more than six in ten consumers now have a DAB digital radio. RAJAR figures show that digital listening (across DAB, DTT and IP) now exceeds 50% of all listening. As a result, the UK Government is evaluating its approach towards a review around the future of radio and a potential process for a switchover from FM to DAB at some future date.

Arqiva's DAB multiplexes show high utilisation levels driven by strong market demand. This has been supported by the launch of an additional channel, Hits Radio from Bauer Media, which has launched across all of Arqiva's Local multiplexes to deliver a network providing quasi-national coverage.

Telecoms & M2M

Arqiva helps MNOs to meet UK coverage obligations

In March 2018, Ofcom publicly announced that all four MNOs had met all of the coverage obligations they were required to meet by 31 December 2017. Arqiva played a key role in helping the UK MNOs meet these obligations as explicitly recognised by our customers. For the past four years Arqiva undertook large volumes of antenna and feeder upgrade projects for the MNOs as part of Installation Service activities to help them achieve their coverage requirements. The Group had completed 8,245 4G equipment upgrades across Arqiva sites up to 30 June 2018 since rollout began in 2014. With coverage obligations now met and rollout nearing completion, Installation Services activity, which is lower margin compared to site sharing, is reducing in line with rollout plans.

Arqiva will continue to play a key role as new spectrum bands are deployed to meet capacity requirements which will include the rollout of 5G.

Small cells

The Group continues to develop its outdoor small cells proposition with Arqiva hosting MNO owned small cells on fully connected street infrastructure to provide street level network capacity in dense urban locations. The Group has received commercial contracts from two MNOs for localised small cells rollout in some London boroughs. In addition, trials are expected in the near term with the other two MNOs.

Arqiva is fully committed and well-placed to support the UK in its efforts to become 5G ready. In July 2017, Arqiva and Samsung Electronics launched the first field trial of 5G FWA (Fixed Wireless Access) 28GHz technology in the UK and Europe. Furthermore, the Group also acquired an additional 28GHz spectrum licence from intelligent managed services provider, Luminet. The licence for 2x 112MHz covers Central and Greater London and bolsters Arqiva’s existing nationwide spectrum band ownership. The 28GHz spectrum band is the standard band used for 5G FWA connectivity trials in the USA, Japan and South Korea. During the financial year, the Group has continued to engage with stakeholders to evaluate opportunities.

Smart energy metering rollout

The Group’s smart metering communication network in the North of England and Scotland is live and successfully transmitting and receiving messages between the energy companies, and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots continues and these are now progressing into initial customer roll-outs. Arqiva has been supporting the DCC with their preparations ahead of mass roll-out which will commence by the end of 2018. Further rollout of the Arqiva network is on track and currently covers 97.75% of premises in line with requirements.

Smart water metering rollout – Thames Water

Arqiva has a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The service is reliably delivering 6 million meter readings per day with over 307,000 meters installed as at 30 June 2018. Arqiva is close to having full network coverage deployed across the entire Thames Water London region, completion being targeted by the end of 2018.

Smart water metering trial contracts – Anglian Water

Arqiva has contracts with Anglian Water for the delivery and monitoring of smart water metering fixed network trials for the deployment and operation of new water meters in two regions. These trials are part of Anglian Water's plans for a long-term smart metering programme. The Group has successfully created a stable platform to generate data for Anglian’s customers and through this they are realising the benefits of both improved leakage detection and consumer engagement. As at 30th June 2018, 17,200 out of the anticipated full complement of 19,500 meters had been installed.

<u>*Satellite and Media*</u>

UK Direct To Home (DTH) HD channel growth
In the UK DTH product line, Arqiva continued to see HD channel growth during the financial year. In the financial year to 30 June 2018 Arqiva launched four new HD channels. This further reinforces the Group's position as a leading provider of UKDTH services.

Virtualisation and OTT
Our Satellite and Media customers continue to transition to IP networks and infrastructure to deliver video growth. Arqiva has therefore developed an innovative software defined networking that enables us to deliver highly flexible networks to meet our internal and external customer demands. Our solution delivers video to and from traditional and new IP formats in an automated and dynamic way that also provides scalable opportunities, allowing Arqiva to meet new customer demand with a better experience, underpinned by a more efficient operating model and cost base.

During the financial year, the Group secured its first virtualised services contract with a US broadcaster who has launched a new consumer OTT service to provide core managed teleport and fibre services, along with a highly scalable IP streaming service for hundreds of live sports events each year. With our new virtualised capabilities, we are able to provide a flexible cost model along with a highly automated delivery

Furthermore, Arqiva also secured two new customers on its new cloud based service. These new services will be delivered as part of an overall 'hybrid' solution that include core services from existing portfolio. The use of public cloud services allows Arqiva to provide high levels of service automation and commercial flexibility.

<u>*Other*</u>

'FutureFit'
The Group's company-wide transformation programme, 'FutureFit', continues to progress and deliver savings. Through this transformation programme, Arqiva continues to streamline and standardise its processes, modernise IT systems and achieve significant cost efficiencies and savings. The programme covers:

- The streamlining of operational end-to-end processes across the business enabled by a transformation of IT systems to deliver improvements in operational efficiency, eliminate waste and deliver improvements in customer services; and
- Cost reductions in spending on third party suppliers in all areas. The Group is reviewing all areas of spend and progressing with a number of actions; consolidating demand across the Group to ensure best prices, re-negotiating supplier contracts, reducing spare capacity and wherever possible eliminating spend through process optimisation activities.

Great progress has been made to advance these initiatives and deliver significant savings. 'FutureFit' has contributed to EBITDA margin increase from 48.5% in the year ending 30 June 2016 to 53.8% in the year ending 30 June 2018 with further savings targeted for future years. Key developments to date include the elimination of excess satellite transponder capacity; a reduction in leased line costs; property related cost savings and cost efficiencies in a number of overhead costs.

Credit ratings update

Fitch and Moody's affirmed their ratings during the first half of the year. The Group's senior and junior debt continues to be rated at BBB (Fitch/S&P) and B-/B3 (Fitch/Moodys) respectively.

Junior refinancing
On the back of the strong financial results reports, the Group has today announced its intention to refinance (subject to market conditions) the existing Junior Notes with engagement with investors over the coming period that may lead to a new junior note being issued.

Change in Chief Financial Officer (CFO)
In July 2018, Jane Aikman joined Arqiva as its new CFO, replacing Liliana Solomon. Jane brings extensive experience having held senior executive roles in both private and publicly listed technology

and telecoms infrastructure companies. Most recently, Jane was CFO of KCOM Group, a listed communications services and IT solutions provider. Prior to KCOM Jane was CFO and Chief Operating Officer of Phoenix IT Group, a provider of Business Continuity, IT infrastructure managed services and Partner Services. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. Jane also currently serves as a non-executive director on the board of Morgan Advanced Materials, a UK PLC.

New appointment of Satellite and Media Managing Director

In June 2018, Arqiva appointed Alex Pannell as Managing Director of the Satellite and Media business unit. Alex had been in this role on an interim basis since April 2018 and prior to that he was Commercial Director in the same business unit. He will be responsible for developing the strategy of the business unit.

Financial Results for the year ended 30 June 2018

Income Statement

The following table shows certain of the Group's income statement data for the years indicated:

	Year Ended 30 June 2018 (Audited) £ millions	Year Ended 30 June 2017 (Audited) £ millions
Revenue	962.4	941.3
Cost of sales	(323.0)	(353.5)
Gross profit	**639.4**	**587.8**
Depreciation	*(163.7)*	*(141.6)*
Amortisation	*(16.7)*	*(12.6)*
Impairment	*(4.4)*	-
Operating expenses	*(121.8)*	*(114.4)*
Exceptional operating expenses	*(9.5)*	*(29.5)*
Total operating expenses	*(316.1)*	*(298.1)*
Other income	4.6	1.1
Share of results of associates and joint ventures	0.2	0.3
Operating profit*	**328.1**	**291.1**

**The line items in the table are discussed below. At this point the income statement diverges between ABPL and AGPL.*

For the financial statement line items below operating profit for each consolidation level, please see the table and commentary on page 18 onwards.

Revenue
For the year ended 30 June 2018 revenue for the Group was £962.4m, an increase of 2.2% from £941.3m in the prior year. The prior year includes revenue totalling £7.2m (current year: £nil) from the WiFi business[3], that was disposed of within that year. Excluding this disposal, revenue growth from continuing operations was 3.0%. See page 15 for explanations of revenue growth by business unit.

[3] This business area formed part of the Telecoms & M2M business segment.

Cost of Sales

For the year ended 30 June 2018 cost of sales for the Group was £323.0m, a decrease of 8.6% from £353.5m in the prior year. Cost of sales from continuing operations (excluding the WiFi business) decreased by 7.2%. The shift in sales mix towards higher margin activities and improvements in service delivery efficiency has contributed to the reduction in cost of sales.

Gross profit

For the year ended 30 June 2018, gross profit for the Group was £639.4m, representing an 8.8% increase from £587.8m in the prior year. Gross profit from continuing operations increased 9.1% year on year as a result of the above mentioned revenue growth and shift in sales mix, and improvements in the efficiency of service delivery.

Operating expenses

Operating expenses for the Group during the year ended 30 June 2018 excluding exceptional items were £121.8m, a 6.5% increase from the prior year figure of £114.4m. The increase is principally due to a shift in nature of activities as major programmes progress reducing internal labour costs and increased third party expense and one-offs including consultancy costs.

EBITDA

EBITDA for the Group before exceptional items was £517.5m, representing a 9.3% increase from £473.5m in the prior year, explained by the increase in gross profit resulting from the shift in sales mix and cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business.

For a reconciliation of Group operating profit to EBITDA, see "*Note Regarding EBITDA and Reconciliation from EBITDA to Operating Profit*" in the Appendix.

The following table shows the Group's revenue by operating segment for the periods indicated:

Revenue by operating segment	**Year Ended 30 June**		
	2018	**2017**	**% Change**
	(Audited)		
	£ millions		
Terrestrial Broadcast	487.6	449.0	8.6%
Telecoms & M2M	341.3	345.4	(1.2)%
Satellite and Media	133.5	146.9	(9.1)%
Total Group revenue	**962.4**	**941.3**	**2.2%**

Terrestrial Broadcast
Revenue for the Group's Terrestrial Broadcast business during the year ended 30 June 2018 was £487.6m, representing an 8.6% increase from £449.0m in the prior year. This increase has been delivered as a result of increased activity in relation to the 700MHz clearance programme as well as increased activity from DAB following completion of the rollout and RPI linked increases on broadcast contracts.

Telecoms & M2M
Reported revenue for the Group's Telecoms & M2M division was £341.3m, a 1.2% decrease from the prior year figure of £345.4m. The prior year includes revenues totalling £7.2m (2018: £nil) from the WiFi business which were disposed of. Excluding these disposals, organic revenue growth was 0.9%.

This growth was principally as a result of increased revenue from the telecoms towers business (2018: £226.6m; 2017: £219.7m) increasing 3.1% due to site assignments and upgrades to existing sites, and contract indexation. This growth has been offset by a decrease in lower margin Installation Services activity (2018: £51.6m; 2017: £68.1m) in line with the expected programme rollout.

M2M revenues increased to £63.2m from £50.4m in the prior year. This was principally due to further revenues from set up charges and change requests of the Group's smart metering energy network.

Satellite and Media
Revenue for the Satellite and Media business during the year ended 30 June 2018 was £133.5m which was a 9.1% decrease from £146.9m in the prior year. The decrease was driven by the continuing impact of exiting low margin contracts, pricing pressure and rationalisation of services. The overall year on year decreases were, however, partially offset by the rollout of new HD channel sales within the UK DTH business.

The following table shows the Group's EBITDA (excluding exceptional items) by operating segment for the years indicated:

EBITDA by operating segment	**Year Ended 30 June**		
	2018	**2017**	**% Change**
	(Audited)		
	£ millions		
Terrestrial Broadcast	360.8	329.4	9.5%
Telecoms & M2M	178.1	155.1	14.8%
Satellite and Media	33.8	35.0	(3.4)%
Other[4]	(55.2)	(46.0)	(20.0)%
Total EBITDA (excluding exceptional items)	**517.5**	**473.5**	**9.3%**

Terrestrial Broadcast
EBITDA for the Group's Terrestrial Broadcast business during the year ended 30 June 2018 was £360.8m, representing a 9.5% increase from £329.4m in the prior year. The growth was mainly due to completion of the DAB rollout and increased 700 MHz Clearance activities.

Telecoms & M2M
EBITDA for the Group's Telecoms & M2M business during the year ended 30 June 2018 was £178.1m, a 14.8% increase from the prior year figure of £155.1m. This has been driven by changes in sales mix namely an increase in site share revenue offset by a reduction in lower margin installation services activity, as well as increases in incremental change requests relating to the smart metering contract.

Satellite and Media
EBITDA for the Satellite and Media business during the year ended 30 June 2018 was £33.8m which was a 3.4% decrease from £35.0m in the prior year. The decrease is due to the revenue reduction described above partially offset by reduction of Satellite capacity costs as a result of the FutureFit savings programme.

Other
EBITDA for the Other business unit, which reflects the Group's corporate business unit, has seen costs increase from £46.0m to £55.2m. The movement versus the prior year period is reflective of increased maintenance contract and licence costs to support IT systems in growth areas including Smart metering, together with one-off costs including consultancy costs and foreign exchange credits in the prior year not repeated.

[4] Other refers to the Group's corporate business unit, e.g. the Company's finance, legal and IT services.

Depreciation
Depreciation for the Group during the year ended 30 June 2018 was £163.7m, an increase of 15.6% from the prior year figure of £141.6m. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with Smart Metering contracts and 700MHz Clearance Programme) and the accelerated depreciation on certain assets (particularly in connection with assets replaced under the 700MHz Clearance Programme).

Amortisation
Amortisation for the Group during the year ended 30 June 2018 was £16.7m, an increase of 32.5% from the prior year figure of £12.6m. This was due to an increase in the underlying intangible asset base of the Group, and the accelerated amortisation of certain assets linked to the Group's IT transformation.

Impairment
Impairment for the Group during the year ended 31 June 2018 was £4.4m, compared to the prior year period figure of £nil. Impairment was recognised to write down the value of tangible and intangible assets in relation to non-core business areas.

Exceptional operating expenses
Exceptional operating expenses for the Group during the year ended 30 June 2018 were £9.5m versus £29.5m during the prior year, a 67.8% decrease. Exceptional items charged to operating profit in both the current year and prior year predominantly relate to reorganisation and programme management resulting from the Group's FutureFit efficiency programme and costs associated with the shareholders' strategic review.

EBITDA including exceptional items

EBITDA for the Group including exceptional items charged to operating profit was £508.0m, an increase of 14.4% compared with the prior year result of £444.0m. This is explained by the increase in gross profit and operating efficiencies becoming embedded into the cost base of the business.

For a reconciliation of Group operating profit to EBITDA, see "*Note Regarding EBITDA and Reconciliation from EBITDA to Operating Profit*" in the Appendix.

Other income
Other income of £4.6m for the year ended 30 June 2018 versus £1.1m in the prior year and relates to income grants received in the year.

Share of results of associates and joint ventures
The Group's share of results of associates and joint ventures for the year was £0.2m versus £0.3m in the prior year. The prior year included a share of adverse foreign exchange movements.

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. A gain of £0.1m on disposal has been recognised.

Operating profit
The operating profit for the year for the Group was £328.1m, a 12.7% increase from £291.1m in the prior year. This increase is principally due to the growth in EBITDA described above, partially offset by the increases in operating expenses, depreciation, amortisation and impairment.

Note: The financial statement line items for ABPL and AGPL diverge at this point and are therefore discussed separately below for the two consolidation levels.

ABPL

	Year Ended 30 June 2018 (Audited) £ millions	**Year Ended 30 June 2017 (Audited) £ millions**
Operating profit	328.1	291.1
Interest receivable and similar income	*2.0*	*3.7*
Net bank and other loan interest	*(228.8)*	*(231.4)*
Other interest	*(35.6)*	*(33.9)*
Net third party interest payable and similar charges	***(262.4)***	***(261.6)***
Interest payable to group undertakings	(102.6)	(93.2)
Other gains and losses	92.3	(112.5)
Exceptional other gains and losses	0.1	(20.6)
Profit / (loss) before tax	**55.5**	**(196.8)**
Tax	227.8	(0.1)
Profit / (loss) for the year	**283.3**	**(196.9)**
Attributable to:		
Owners of the Company	282.9	(197.1)
Non-controlling interest*	0.4	0.2
	283.3	**(196.9)**

**relates to the share of Now Digital (East Midlands) Limited and South West Digital Radio Limited, subsidiary undertakings, that is not attributable to the owners of the Company (i.e. the non-controlling interest)*

Interest receivable and similar income
Interest receivable and similar income for the year was £2.0m versus £3.7m in the prior year. The decrease was principally due to one off finance income generated on long-term revenue contracts in the prior year.

Net bank and other loan interest
Net bank and other loan interest for the Group for the year was £228.8m compared to £231.4m in the prior year. This decrease was as a result of the new facilities and swap instruments that were established in November 2016 and a reduction in the Group's term debt.

Other interest
Other interest for the Group for the year was £35.6m, compared to £33.9m in the prior year. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest.

Interest payable to group undertakings
Interest payable to group undertakings for the Group for the year was £102.6m, compared to £93.2m in the prior year. The increase is due to the additional interest on outstanding balances.

Other gains and losses
The Group reported £92.4m of other gains in the year (2017: £133.1m loss). Of the gains in the period, £2.0m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments. The cross-currency swaps provide an economic hedge to the Group's US$ denominated debt. A further £90.3m of gains were recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

Tax
Tax on loss on ordinary activities during the year was a credit of £215.1m (2017: £0.1m charge). The credit in the period is as a result of one-off tax adjustments including recognition of deferred tax assets, not previously recognised on the balance sheet, following changes in tax legislation, and payment received for group relief.

Profit for the financial year

The profit for the year was £283.3m, compared to a loss of £196.9m in the prior year. The profit for the period was after non-cash charges of £23.6m (2017: £413.4m charge) comprising: £92.3m credited to other gains and losses (2017: £133.1m charged); £163.7m depreciation (2017: £141.6m); £16.7m amortisation (2017: £12.6m); £4.4m impairment (2017: £nil); £102.6m interest payable to group undertakings (2017: £93.2m); £34.6m of other non-cash interest and similar charges (2017: £32.9m) and £206.1m credited to recognise deferred tax assets (2017: £nil). Excluding these non-cash items the Group made an adjusted profit of £306.9m compared to an adjusted profit of £216.5m in the prior year.

AGPL

	Year Ended 30 June 2018 (Audited) £ millions	Year Ended 30 June 2017 (Audited) £ millions
Operating profit	*328.1*	*291.1*
Interest receivable and similar income	*1.7*	*3.5*
Net bank and other loan interest	*(171.8)*	*(174.3)*
Other interest	*(31.1)*	*(30.3)*
Net third party interest payable and similar charges	***(201.2)***	***(201.1)***
Interest payable to group undertakings	(145.0)	(136.2)
Other gains and losses	92.3	(112.5)
Exceptional other gains and losses	0.1	(20.6)
Profit / (loss) before tax	**74.3**	**(179.3)**
Tax	224.3	(0.1)
Profit / (loss) for the year	**298.6**	**(179.4)**
Attributable to:		
Owners of the Company	298.2	(179.6)
Non-controlling interest*	0.4	0.2
	298.6	**(179.4)**

**relates to the share of Now Digital (East Midlands) Limited and South West Digital Radio Limited, subsidiary undertakings, that is not attributable to the owners of the Company (i.e. the non-controlling interest)*

Interest receivable and similar income
Interest receivable and similar income for the year was £1.7m versus £3.5m in the prior year. The decrease was principally due to one off finance income generated on long-term revenue contracts in the prior year.

Net bank and other loan interest
Net bank and other loan interest for the Group for the year was £171.8m compared to £174.3m in the prior year. This decrease was as a result of the new facilities and swap instruments that were established in November 2016 and a reduction in the Group's term debt.

Other interest
Other interest for the Group for the year was £31.3m, compared to £30.3m in the prior year. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest.

Interest payable to group undertakings

Interest payable to group undertakings for the Group for the year was £145.0m, compared to £136.2m in the prior year. The increase is due to the additional interest on outstanding balances.

Other gains and losses

The Group reported £92.3m of other gains in the year (2017: £112.5m loss). Of the gains in the period, £2.0m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments. The cross-currency swaps provide an economic hedge to the Group's US$ denominated debt. A further £90.3m of gains were recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

Tax

Tax on loss on ordinary activities during the year was a credit of £224.3m (2017: £0.1m charge). The credit in the period is as a result of one-off tax adjustments including recognition of deferred tax assets, not previously recognised on the balance sheet, following changes in tax legislation, and payment received for group relief.

Profit for the financial year

The profit for the year was £298.6m, compared to a loss of £179.4m in the prior year. The profit for the period was after non-cash charges of £61.5m (2017: £452.8m) comprising: £92.3m credited to other gains and losses (2017: £133.1m charged); £163.7m depreciation (2017: £141.6m); £16.7m amortisation (2017: £12.6m); £4.4m impairment (2017: £nil); £145.0m interest payable to group undertakings (2017: £136.2m); £30.1m of other non-cash interest and similar charges (2017: £29.3m) and £206.1m credited to recognise deferred tax assets (2017: £nil). Excluding these non-cash items the Group made an adjusted profit of £360.1m compared to an adjusted profit of £273.2m in the prior year.

Net cash flows

The following tables show information regarding the ABPL and AGPL statement of cash flows:

ABPL	Year Ended 30 June 2018 (Audited) £ millions	Year Ended 30 June 2017 (Audited) £ millions
Consolidated cash flow data		
Net cash inflow from operating activities	572.1	489.7
Net capital expenditure and financial investment	(164.8)	(161.3)
Disposal of investment	5.2	23.2
Loans to joint ventures	0.6	-
Operating cash flow after capital and financial investment activities	413.1	351.6
Movement in borrowings	(124.7)	(19.4)
Net interest paid and financing charges	(226.6)	(237.2)
Principal accretion on inflation-linked swaps	(58.6)	(53.4)
Debt issue costs and facility arrangement fees	-	(12.5)
Cash flow on close out of swaps	-	(36.0)
Swap Option sale proceeds	-	3.2
Decrease in cash	**3.2**	**(3.7)**

AGPL	Year Ended 30 June 2018 (Audited) £ millions	Year Ended 30 June 2017 (Audited) £ millions
Consolidated cash flow data		
Net cash inflow from operating activities	572.1	489.7
Net capital expenditure and financial investment	(164.8)	(161.3)
Disposal of investment	5.2	23.2
Loans to joint ventures	0.6	-
Operating cash flow after capital and financial investment activities	413.1	351.6
Movement in borrowings	(181.7)	(76.4)
Net interest paid and other financing charges	(169.6)	(179.9)
Principal accretion on inflation-linked swaps	(58.6)	(53.4)
Debt issue costs and facility arrangement fees	-	(12.5)
Cash flow on close out of swaps	-	(36.0)
Swap Option sale proceeds	-	3.2
Decrease in cash	**3.2**	**(3.4)**

Net cash inflow from operating activities

For the year ended 30 June 2018, ABPL and AGPL generated a cash inflow from operating activities of £572.1m compared to £489.7m, representing a 16.8% increase from the prior year due to strong EBITDA and working capital inflows.

	Year Ended 30 June 2018	Year Ended 30 June 2017
	(Audited) £millions	
EBITDA	*517.5*	*473.5*
Exceptional items	*(9.5)*	*(29.5)*
Working capital	*64.0*	*45.7*
Other	*0.1*	-
Net cash inflow from operating activities	***572.1***	***489.7***

For a definition of EBITDA, see "*Note Regarding EBITDA and Reconciliation to EBITDA from operating activities*" in the Appendix.

Working capital

Working capital is part of "Net cash inflow from operating activities" in the Group's summary consolidated cash flow statement. The Group defines working capital movement as the movement in current assets, current liabilities and certain long term liabilities including deferred income and provisions greater than one year that form part of the Group's net cash inflow from operating activities. Working capital movement does not include other statement of financial position item movements such as capital creditors, imputed interest and movements on intercompany loan and interest balances.

Whilst the Group's business is not seasonal in nature, its working capital movement is seasonal. The Group invoices and collects a proportion of its Site Share revenues annually in advance in the third quarter of the year. Annual staff bonus payments are made in the first quarter of the financial year.

The table below sets out the Group's working capital position as at the dates shown:

	Year Ended 30 June 2018 (Audited) £ millions	Year Ended 30 June 2017 (Audited) £ millions
Net decrease / (increase) in receivables	*5.9*	*(4.3)*
Net increase in payables	*70.7*	*36.9*
Net (decrease) / increase in provisions	*(12.6)*	*13.1*
Total working capital movement	***64.0***	***45.7***

The components of the Group's working capital are:

- *Net movement in receivables comprising trade receivables, prepayments and accrued revenue;*
- *Net movement in payables including trade payables, sundry payables, VAT creditors, accruals, and deferred revenue less than and greater than one year; and*
- *Net movement in provisions includes provisions less than and greater than one year.*

The working capital movement for the year ended 30 June 2018 was an inflow of £64.0m, compared to an inflow of £45.7m in the prior year.

The year ended 30 June 2018 working capital inflow of £64.0 m consisted of:

- A decrease in receivables of £5.9m as a result of timing differences in billing and cash collection mostly from large Telecoms M2M and Terrestrial Broadcast customers;
- A net increase in payables of £70.7m which is principally due to additional deferred income recognised from Telecoms & M2M and Terrestrial Broadcast customers partially offset by the normal utilisation of deferred revenue in connection with large Telecoms & M2M customers; and
- A net decrease in provisions of £12.6m principally following the payment of compensation for the alignment of employee contract terms and conditions.

The movement in working capital versus the prior year is a favourable movement of £18.3m. This is principally due to additional deferred income recognised partially offset by the payment of compensation for the alignment of employee contract terms and conditions.

Net capital expenditure and financial investment

The Group requires maintenance capital expenditure as well as growth capital expenditure to support its current business and future development.

Maintenance capital expenditure is expenditure that is incurred to deliver cost-savings, productivity enhancements, to extend the useful life of existing non-current assets, or replace worn out and obsolete non-current assets with new ones in order to support existing contracts;

'Growth – contracted' is capital expenditure that is incurred to deliver new or renewal revenues and which is supported by a signed customer contract;

'Growth - non-contracted' is capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which expenditure is incurred and reported.

Capital creditors/accruals reflect the timing difference (between accruing the liability for capital expenditure and the associated cash outflow) to arrive at 'net capital expenditure and financial investment'.

The table below sets out the Group's capital expenditures for the periods stated:

	Year Ended 30 June 2018 (Audited) £ millions	Year Ended 30 June 2017 (Audited) £ millions
Maintenance	*30.3*	*22.5*
Growth - contracted	*121.7*	*129.5*
Growth - non-contracted	*4.7*	*13.2*
Subtotal capital expenditure	***156.7***	***165.2***
Sale of non-current assets(1)	*(0.3)*	-
Capital creditors/accruals	*8.4*	*(3.9)*
Net capital expenditure and financial investment	**164.8**	**161.3**

(1) Sale of non-current assets related to the disposal of assets in non-core business areas.

For the year ended 30 June 2018, net cash capital expenditure and financial investment was £164.8m, compared to £161.3m in the prior year.

The overall increase in net capital expenditure and financial investment compared with the prior year period was principally as a result of the increased expenditure on significant capital projects including 700MHz clearance programme partly offset by the change in capital creditors/accruals due to short term cash flow timing.

Included within the £121.7m 'growth – contracted' capital expenditure in the year was:

- £64.6m (2017: £51.0m) within Terrestrial Broadcast, principally in relation to the 700 MHz clearance programme and DAB roll-out;
- £44.8m (2017: £66.2m) within Telecoms & M2M, principally in relation to the smart energy metering contract;
- £9.3m (2017: £9.3m) within Satellite and Media across a number of projects; and
- £3.0m (2017: £3.0m) relating to central corporate functions.

The increase versus the prior year was principally owing to the roll-out of the 700MHz clearance programme.

Note: The figures set out by operating segment above are presented on an accruals basis and therefore cannot be directly reconciled to the figures presented as segmental information in the notes to the financial statements, which are presented on a cash basis.

Disposal of investment

In the year ended 30 June 2018, the Group received proceeds (net of disposal costs) of £5.2m for the disposal of its shareholding in Arts Alliance Media Investment Limited, a joint venture, which completed in October 2017. In the prior year the Group received £23.6m for the disposal of the WiFi business.

Operating cash flow after capital and financial investment activities

Operating cash flow after capital and financial investment activities (which aggregates cash inflow from operating activities and net capital expenditure and financial investment) was £413.1m compared to £351.6m representing an improvement of £61.5m.

Movement in borrowings, net interest paid and financing charges, and other movements

Note: the consolidated cash flow line items diverge at these points and therefore are discussed separately below for the two consolidation levels.

ABPL line items:

Movement in borrowings

During the year ended 30 June 2018, the movement in borrowings was a net outflow of £124.7m (2017: net outflow of £19.4m) consisting of the net repayment of £124.3m bank facilities and scheduled amortisation of senior bonds and £0.4m capital in relation to finance lease arrangements.

Net interest paid and other financing charges

For the year ended 30 June 2018, net interest paid and other financing charges was an outflow of £226.6m (2017: outflow of £237.2m). This primarily consisted of £1.8m interest received and £0.1m dividends paid to non-controlling interests, less £227.5m in interest paid to external sources and less £1.0m from the interest element of finance lease rentals. The outflow is lower than in the prior year primarily due to lower financing costs following the November 2016 refinancing and reduction in bank debt borrowings.

Net interest paid and other financing charges differs to the interest and financing expenses within the income statement owing primarily to non-cash charges in the income statement in respect of the amortisation of debt issue costs, imputed interest, and movements in the amount of accrued interest balances.

Other movements

For the year ended 30 June 2018, other movements were £nil (2017: outflow of £45.4m). In the previous financial year, the Group restructured the derivatives held by Arqiva Senior Finance Limited (‘ASFL’). £353.2m notional of swap options were fully closed out with cash proceeds received of £3.2m and £353.2m notional of interest rates swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement note which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a negative net cash flow impact of £36.1m. Debt issue costs and facility arrangement fees of £12.5m were incurred on the November 2016 refinancing. These were one-off outflows that have not been repeated in the year to 30 June 2018.

Other significant payments in the year include the payment of principal accretion of £58.6m on inflation-linked swaps paid annually in June (2017: £53.4m).

Increase in cash

For the year ended 30 June 2018 the ABPL Group’s increase in net cash was £3.2m (2017: decrease of £3.7m) owing to the above factors.

AGPL line items:

Movement in borrowings

During the year ended 30 June 2018, the Group made a £57.0m (2017: £57.0m) payment to its parent undertakings, paid to the ABPL group (a permitted payment under the terms of the senior financing and used to settle interest due on the £600.0m junior notes).

There was an additional net outflow in borrowings of £124.7m (2017: net inflow of £19.4m) consisting of the net repayment of £124.3m bank facilities and scheduled amortisation of senior bonds and £0.4m capital in relation to finance lease arrangements.

Net interest paid and other financing charges

For the year ended 30 June 2018, net interest paid and other financing charges was an outflow of £169.6m (2017: outflow of £179.9m). This primarily consisted of £1.5m interest received and £0.1m dividends paid to non-controlling interests, less £170.2m in interest paid to external sources and less £1.0m from the interest element of finance lease rentals. The outflow is lower than in the prior year. This is due to lower financing costs following the November 2016 refinancing and reduction in bank debt borrowings.

Net interest paid and other financing charges differs to the interest and financing expenses within the income statement owing primarily to non-cash charges in the income statement in respect of the amortisation of debt issue costs, imputed interest, and movements in the amount of accrued interest balances.

Other movements

For the year ended 30 June 2018, other movements were £nil (2016: outflow of £45.4m). In the previous financial year, the Group restructured the derivatives held by Arqiva Senior Finance Limited (‘ASFL’). £353.2m notional of swap options were fully closed out with cash proceeds received of £3.2m and £353.2m notional of interest rates swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement note which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a negative net cash flow impact of £36.1m. Debt issue costs and facility arrangement fees of £12.5m were incurred on the November 2016 refinancing. These were one-off outflows that have not been repeated in the year to 30 June 2018.

Other significant payments in the year include the payment of principal accretion of £58.6m on inflation-linked swaps paid annually in June (2017: £53.4m).

Increase in cash

For the year ended 30 June 2018 the AGPL Group’s increase in net cash was £3.2m (2017: decrease of £3.4) owing to the above factors.

Contractual obligations and Commitments

The following table sets out the payments due by period under the contractual obligations as at 30 June 2018 for ABPL and AGPL:

ABPL

	Payments due by Period				
	Total	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(Unaudited) £ millions		
Bank loans – Working capital facility	55.0	55.0	-	-	-
Senior debt – Institutional Term Loan	180.0	-	-	-	180.0
Senior debt – European Investment Bank	190.0	-	-	-	190.0
Senior debt – Tranche 1a	75.0	-	75.0	-	-
Senior bonds, notes and US Private Placement(1)	1,855.1	77.2	543.6	276.8	957.5
Junior bonds	600.0	-	600.0	-	-
Finance lease obligations	13.1	0.7	1.6	1.7	9.1
Sub total (excluding impact of off-setting hedge arrangements)	**2,968.2**	**132.9**	**1,220.2**	**278.5**	**1,336.6**
Trade payables	61.4	61.4	-	-	-
Capital commitments	47.8	45.4	2.4	-	-
Operating lease commitments	264.5	35.0	58.4	39.5	131.6
Other payables (incl. accruals and deferred revenue)	593.5	317.0	56.3	43.4	176.8
Total non-Group	**3,935.4**	**591.7**	**1,337.3**	**361.4**	**1,645.0**
Amounts owed to Group undertakings	1,124.4	1,079.2	-	-	45.2
Total	**5,059.8**	**1,670.9**	**1,337.3**	**361.4**	**1,690.2**

AGPL

	Payments due by Period				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(Unaudited) £ millions		
Bank loans – Working capital facility	55.0	55.0	-	-	-
Senior debt – Institutional Term Loan	180.0	-	-	-	180.0
Senior debt – European Investment Bank	190.0	-	-	-	190.0
Senior debt – Tranche 1a	75.0	-	75.0	-	-
Senior bonds, notes and US Private Placement(1)	1,855.1	77.2	543.6	276.8	957.5
Finance lease obligations	13.1	0.7	1.6	1.7	9.1
Sub total (excluding impact of off-setting hedge arrangements)	**2,368.2**	**132.9**	**620.2**	**278.5**	**1,336.6**
Trade payables	61.4	61.4	-	-	-
Capital commitments	47.8	45.4	2.4	-	-
Operating lease commitments	264.5	35.0	58.4	39.5	131.6
Other payables (incl. accruals and deferred revenue)	593.8	317.3	56.3	43.4	176.8
Total non-Group	**3,335.7**	**592.0**	**737.3**	**361.4**	**1,645.0**
Amounts owed to Group undertakings	1,580.4	1,083.6	-	-	496.8
Total	**4,916.1**	**1,675.6**	**737.3**	**361.4**	**2,141.8**

(1) Senior bonds, notes and US Private Placement include US$ denominated debt presented gross of offsetting hedge arrangements.

As part of the Group's 2013 refinancing, the majority of the balances within amounts owed to group undertakings were formalised under a single subordinated loan agreement with the direct parent company which has a long term maturity date of 2033. Under the terms of the subordinated loan agreement, these loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower, and interest can be deferred if the borrower does not have sufficient available cash flow. The Group continues to defer these amounts in accordance with the terms of the loans, and this deferred amount is presented as being due within one year.

The Group does not, and has not used off-balance sheet special purpose vehicles or similar financing arrangements on an historical basis. In addition, the Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

Contingent Liabilities

Under the terms of the Group's external debt facilities, it has provided security over substantially all of its non-current and other assets by way of a Whole Business Securitisation structure.

Derivative financial instruments

The Group uses interest rate swaps ('IRS') and Inflation Linked Swaps ('ILS') to hedge its net exposure to movements in interest rates and inflation and cross-currency swaps to manage its exposure to fluctuations of currency movements on its foreign dominated debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, as part of the carrying value of the instrument over its full life, which correlates to the life of the instrument it is designed to hedge.

Amounts received and paid under the swaps are shown at net value under financing costs, where they are part of the same legal agreement and settled at net value in practice. Accreting liabilities on ILS are incorporated into the fair value measurement of the instrument.

The Group also utilises forward contracts to hedge certain trade-related foreign currency transactions, however there were no trades in place at the reporting date.

The fair value of derivatives is calculated using a credit risk-adjusted discount rate and therefore incorporates a debit valuation adjustment (and/or credit valuation adjustment) as required. The changes in the fair value of such derivatives are recognised within the income statement as an ‘other gain or loss’.

Inflation linked swaps (‘ILS’)

£1,312.5m of fixed rate debt is hedged via three classes of ILS which either directly or via overlay swaps, fix interest and cause it to be indexed to RPI. These swaps have been structured such that the accretion is paid down annually. Only one small tranche of these swaps has a mandatory break clause in 2023, whilst the remaining tranches are break-free.

The maturity date for all three classes of ILS is April 2027.

Interest rate swaps (‘IRS’)

£976.5m of floating rate debt is now hedged via four tranches of IRS contracted by AF1. These swaps have no break clauses and maturity dates are co-terminus with the underlying floating rate debt instrument’s repayment profile.

Cross Currency Swaps

AF1 has entered into US$ 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar tranche of the Private Placement at an exchange rate of US$1.52:£1.

Fair value measurement

The credit risk-adjusted fair value of the outstanding swaps at 30 June 2018 is a liability of £1,030.8m. This comprises £755.1m in relation to the RPI linked swaps (including principal accretion of £nil (2017: £nil)), £297.7m in relation to the IRS, and a £22.0m asset in relation to the cross currency swaps (2017: liability of £1,179.7m).

APPENDIX

Note Regarding EBITDA and Reconciliation of EBITDA to Operating Profit

EBITDA is presented to aid understanding of the Group's results of operations and financial condition. The Group defines EBITDA as operating profit (taken from the Group's consolidated income statement data) before depreciation and amortisation, exceptional operating expenses and one-off items where the earnings or charges are not considered to be indicative of the Group's on-going operations, e.g. profit or loss on the disposal of non-current assets.

EBITDA is a supplemental measure of financial performance that is not required by, nor presented in accordance with, IFRS. EBITDA is not a measure of performance under IFRS and investors should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) cash flows from operating investing and financing activities as a measure to meet the Group's cash needs or (c) any other measures of performance under IFRS or generally accepted accounting principles. Investors should exercise caution in comparing EBITDA as reported by the Group to EBITDA of other companies.

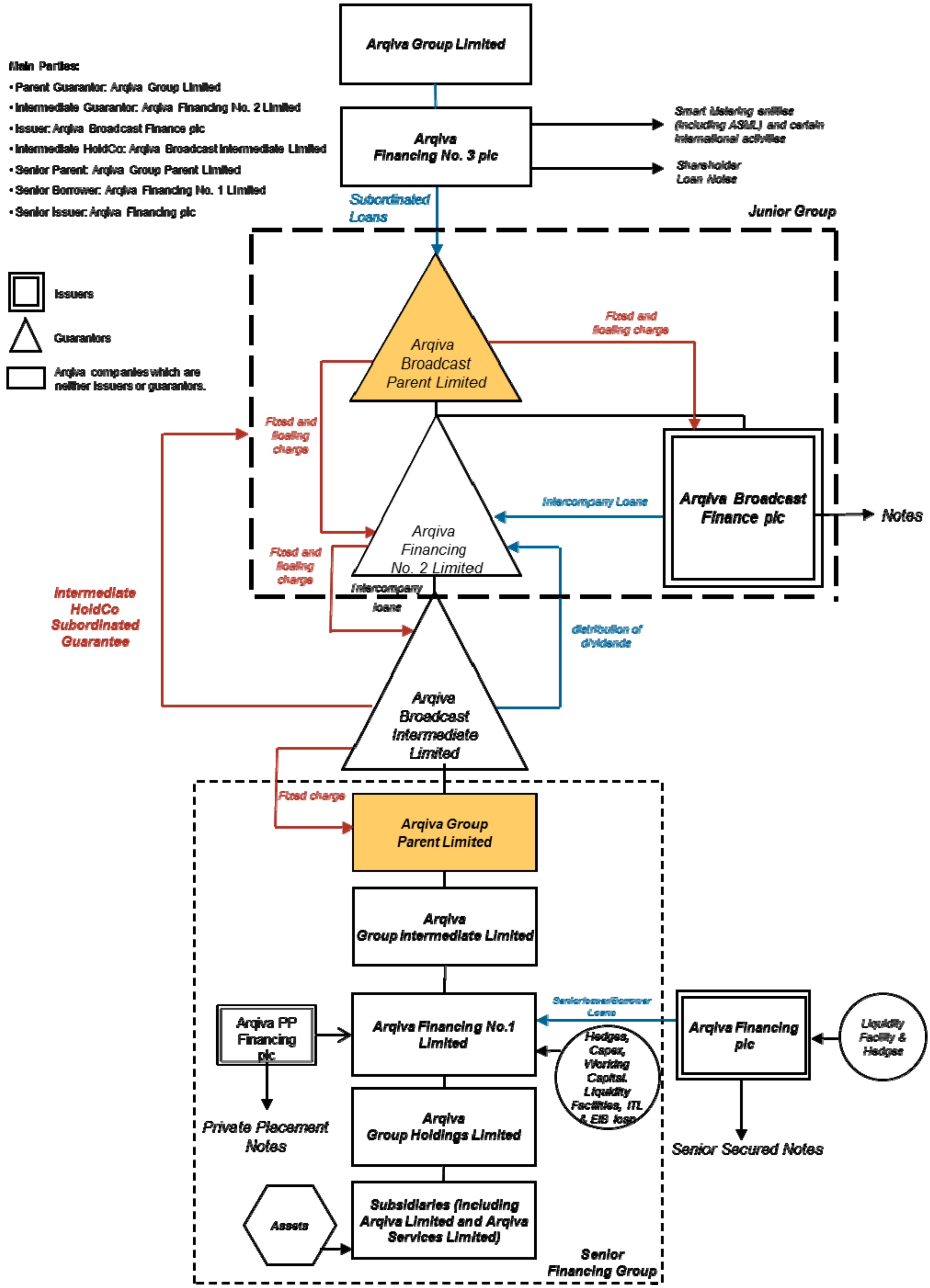
EBITDA has been included in this Financial Report because it is a measure that the Group's management uses to assess the Group's operating performance.

The following table provides a reconciliation of operating profit to EBITDA for the periods indicated:

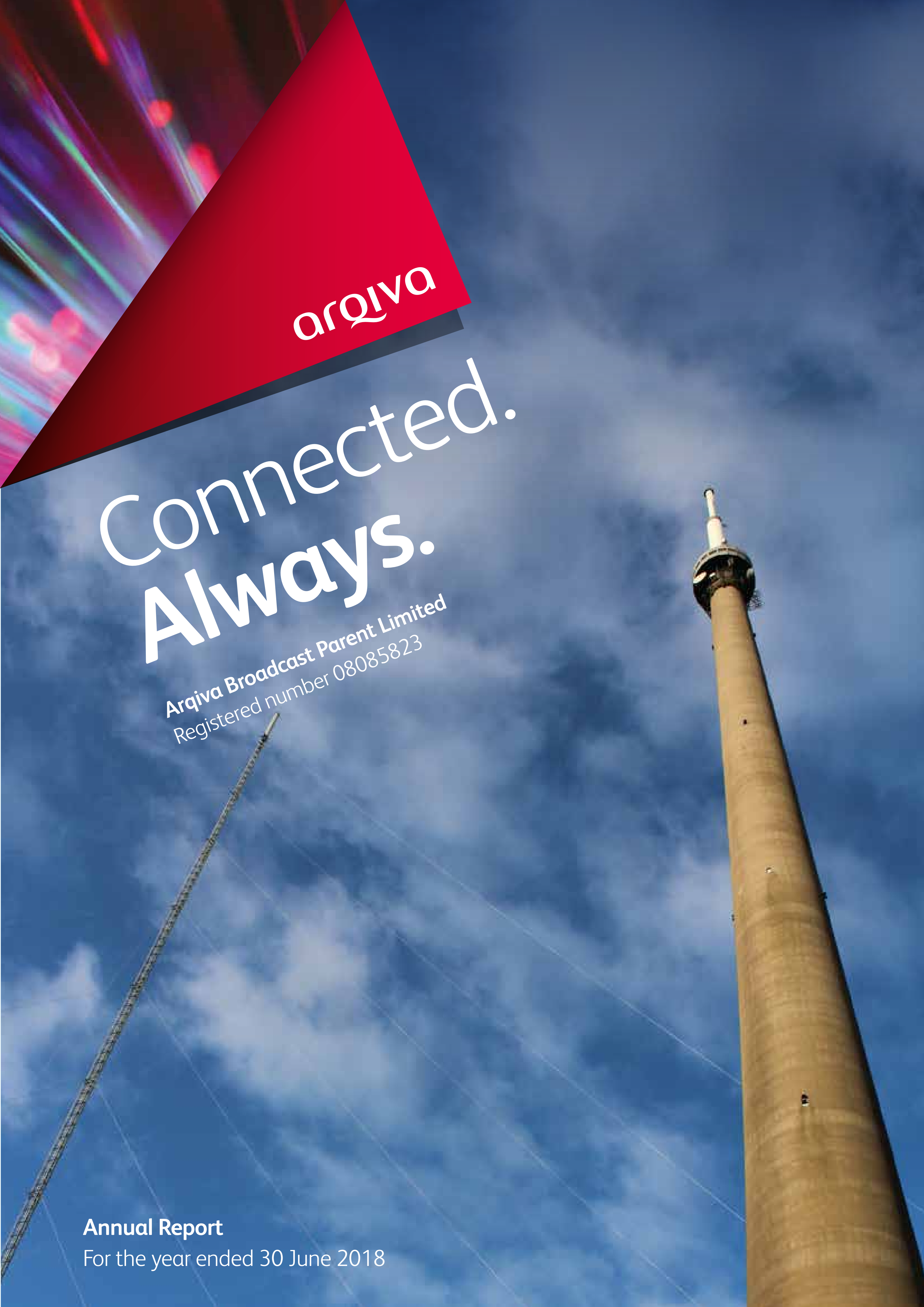
	Year ended 30 June	
	2018	2017
	(Audited) £ millions	
Operating profit	**328.1**	**291.1**
Depreciation	163.7	141.6
Amortisation	16.7	12.6
Impairment	4.4	-
Exceptional administrative expenses	9.5	29.5
Other	(4.9)	(1.3)
EBITDA	**517.5**	**473.5**

'Other' includes share of results of associates and joint ventures, other income, profit and loss on disposal of non-current assets and operational bank charges.

Summary Corporate and Financing Structure



AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 OF ABPL AND AGPL



arqiva

Connected. Always.

Arqiva Broadcast Parent Limited
Registered number 08085823

Annual Report
For the year ended 30 June 2018

Corporate information

As at the date of this report (6 September 2018):

Group Board of Directors

Mike Parton (Chairman)

Simon Beresford-Wylie (Chief Executive Officer)

Jane Aikman (Chief Financial Officer) (appointed 23 July 2018)

Peter Adams

Mark Braithwaite

Deepu Chintamaneni

Sally Davis

Paul Dollman

Martin Healey (appointed 23 April 2018)

Neil King

Nathan Luckey

Christian Seymour

Damian Walsh

Group website:
www.arqiva.com

Independent Auditors
PricewaterhouseCoopers LLP, Savannah House, 3 Ocean Way, Southampton, United Kingdom SO14 3TJ

Company[1] Directors:

Peter Adams

Mark Braithwaite

Deepu Chintamaneni

Sally Davis

Paul Dollman

Martin Healey (appointed 23 April 2018)

Neil King

Nathan Luckey

Mike Parton

Christian Seymour

Damian Walsh

Company secretary:

Jeremy Mavor (appointed 1 January 2018)

Registered Ofiice
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
08085823

[1]In respect of Arqiva Broadcast Parent Limited, the parent company of the Group

Cautionary statement

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

The risks and uncertainties referred to above include:

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

Guidance note to the annual report:
In this document, references to ‘Arqiva’ and ‘the Group’ refer to Arqiva Broadcast Parent Limited and its subsidiaries and business units as the context may require. References to the ‘Company’ refer to the results and performance of Arqiva Broadcast Parent Limited as a standalone entity.

Arqiva Smart Metering Limited (‘ASML’) is the legal entity that won the contract for smart energy metering and, whilst it sits within the ultimate parent group, it is external to the ABPL financing group. ASML has contracted with Arqiva Limited (a company within the ABPL financing group) for the provision of the core network, sites and spectrum that will support the delivery of this contact. The procurement and financing of the communications hubs (which allow information to be sent to and from the network) will be performed by ASML. Accordingly, the ABPL group is expected to benefit from the substantial majority, but not all, of the smart metering contract revenue through charges levied to ASML.

A reference to a year expressed as 2017/18 or 2018 is to the financial year ended 30 June 2018. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to ‘current year’, ‘this year’ and ‘the year’ are in respect of the financial year ended 30 June 2018. References to the ‘prior year’ and ‘last year’ are to the financial year ended 30 June 2017.


arqiva

Contents

Cover Image: The iconic Emley Moor tower. Alongside, the temporary mast, erected during 2018, required to ensure completion of essential works on the 700MHz clearance programme.

Arqiva in 2018

Arqiva is the leading independent telecom towers operator and sole terrestrial broadcast network provider in the United Kingdom, holding significant investments in essential communications infrastructure. This non-replicable asset base across Arqiva's business units, as described below, will support Arqiva leading position for the foreseeable future.

c.1,150

TV transmission sites covering 98.5% of the UK population with the DTT[1] platform

c.1,500

broadcast transmission sites, including sites rolled out under our local DAB[3] programme completed in the year

700MHz clearance activities completed on **210** sites

Smart networks to cover up to 12 million UK premises, with over 300,000 smart meters sold to date

Access to c. 229,000 municipal street furniture sites for the provision of Small Cells in 14 London Boroughs

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[2], and a further two HD capable multiplexes, giving videostream capacity on our main multiplexes of 31

c.8,000

active licensed macro cellular sites[4], with c.1,800 4G upgrades completed during the year

Leading position providing In-Building Solutions and Distributed Antenna Systems with 46 systems installed in prime locations including Canary Wharf, Selfridges and Bluewater

c.80 satellite dishes accessing...

...**40+ satellites**

from **5 teleports**

Manages the distribution of 1,100 international TV channels including coverage of high profile sporting events, and provides playout services for more than 100 channels for high profile customers

1 Refers to the Digital Terrestrial Television platform, best known for supporting Freeview.
2 Main national commercial multiplexes refers to those considered to be most established.
3 Refers to Digital audio broadcasting
4 Reference to 8,000 sites includes contractual options on the assignment of sites; hereafter referred to as 'circa 8,000 active licensed macro sites'.

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

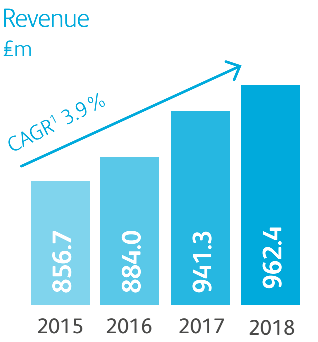
- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base;
- Expanding HD and SD channel choice, thereby maximising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz clearance programme to meet target completion date in 2020;
- Continuing to develop the digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNO's;
- Growing the value of the M2M business;
- Building on Arqiva's existing urban macro site portfolio and establishing Arqiva as the predominant UK provider of urban wireless telecom infrastructure by leveraging the Group's street furniture and and exclusive concessions in prime locations;
- Continuing to improve the operational efficiency and service excellence within the Satellite and Media business unit, and taking advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market, including 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility, through expansion and development of media management service and distribution capabilities;
- Growing the Satellite data communications business in UK utilities an international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Maintaining the group wide focus on delivering cost transformation, and driving efficiencies and operational excellence across the organisation
- Maintaining high levels of service enjoyed by our customers;
- Maintaining the robustness of Arqiva's capital structure, with a long term debt platform which has an average debt maturity profile of circa 5 years, and investment grade credit rating over our senior debt; and
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a truly great place to work.

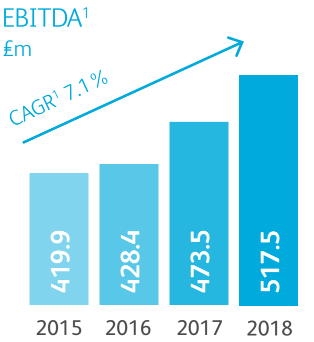
See also
Strategic Overview:
Page 15

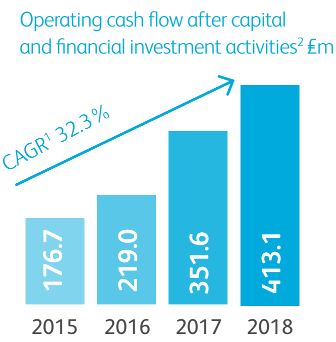
1 Refers to 'UK Direct to Home'.
2 See page 19 for a description of this programme and its objectives.

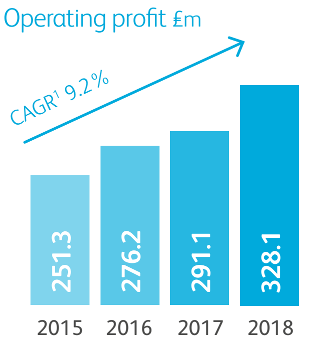
Highlights

Another strong year for Arqiva with significant growth in revenue, operating profit and cash generation continuing a trend of successive years of growth, with particularly strong performance in the delivery of our major programmes.





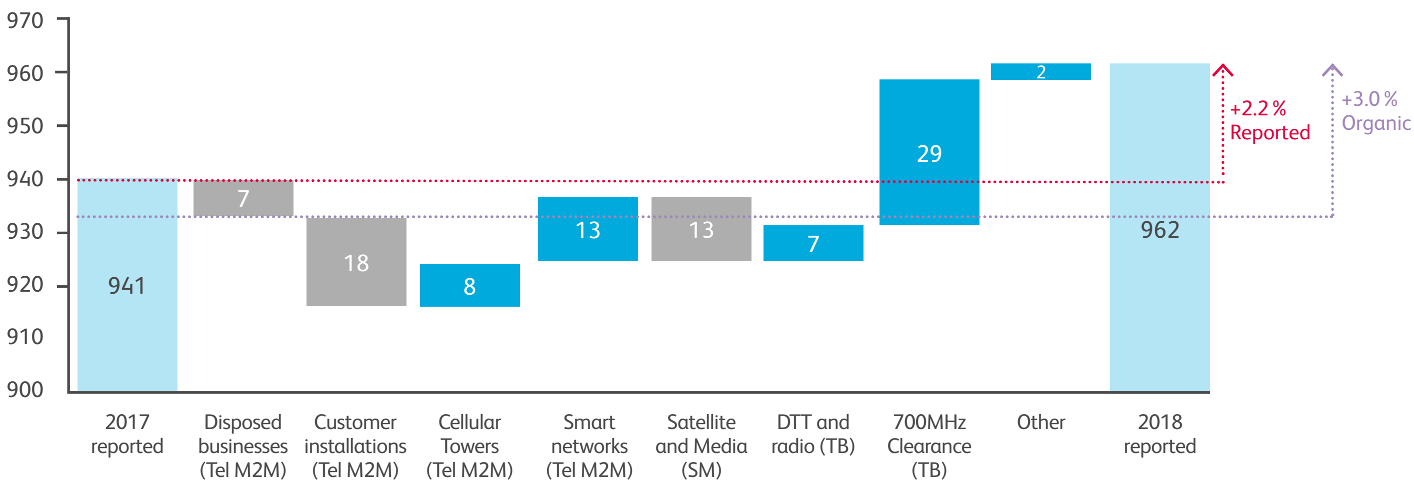




[1] Compound Annual Growth Rate ('CAGR')

Key influences on revenue growth[3] (£m):

Strong revenue growth despite decreases in certain areas of our business. The decreases reflect a change in sales mix as they have been in lower margin areas, such as Installation services, in particular where programmes near completion.



1 EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation'. This includes adjustments for certain other items charged to operating profit that do not reflect the underlying business performance. See page 23 for where this measure is fully reconciled back to operating profit as presented in the income statement.

2 Operating cash flow after capital and financial investment activities is a non-GAAP measure and represents the net cash generated by the business after investment in capital items. This represents the remaining cash available to service the capital structure of the business, or the return of cash to shareholders in the form of dividends. A full reconciliation between this measure and net cash generated from operations is presented on page 24.

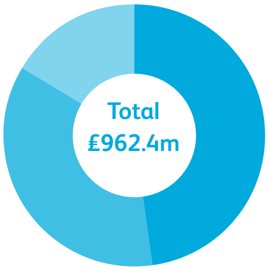
3 Key drivers are stated along with the operating segment in which these business streams are aligned, i.e. Telecoms & M2M ('TelM2M'), Terrestrial Broadcast ('TB') and Satellite and Media ('SM'). The 'disposed businesses' principally relate to TelM2M, whilst 'other movements' reflect a number of smaller movements across the business as a whole. Further information and narrative is included in the financial review on page 23.

Revenue by operating segment £m

Terrestrial Broadcast
£487.6m (2017: £449.0m)

Telecoms & M2M
£341.3m (2017: £345.4m)

Satellite & Media
£133.5m (2017: £146.9m)

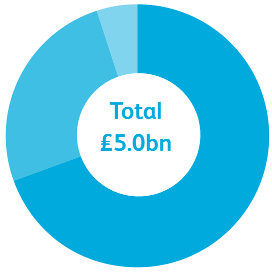


Order book £bn

Terrestrial Broadcast
£3.5bn (2017: £3.8bn)

Telecoms & M2M
£1.3bn (2017: £1.5bn)

Satellite & Media
£0.2bn (2017: £0.2bn)



Highlights during the year include:

- Revenue growth for the year of 2.2 %, including 3.0 % organic growth[1]
- Increased activity in the delivery of the 700MHz Programme in accordance with key programme milestones, with work completed on 210 sites thus far;
- Completion of the DAB roll-out
- Completion of c.8,300 4G site upgrades for MNOs[3] since roll-out began in 2014 including a considerable acceleration during the year in order to assist the MNOs in meeting coverage requirements;
- Significant EBITDA growth particularly in Telecoms & M2M (14.8 %) and Terrestrial Broadcast (9.5 %);
- Continuing to deliver the smart energy metering contracts, finishing the year on track and increasing recurring revenues for the Group
- 9.3 % increase in EBITDA;
- Cash generation[2] up 17.5 % from £351.6m to £ 413.1m;
- Cost reductions realised through the Group's FutureFit programme.

1 Organic growth refers to the underlying performance of the business excluding the impact of non-core business areas which were disposed either in the current or comparative period (i.e. the Group's WiFi business). Further information is included on page 116.

2 Refers to operating cash flow after capital and financial investment which is a non-GAAP measure and reconciled back to net cash inflow from operating activities on page 27.

3 Refers to Mobile Network Operators ('MNOs')

Chairman's introduction

"This financial year has seen the Group continue its strong growth in profit and cash generation for another year."

Continued excellence in financial performance

This financial year has been yet another year of growth for the business demonstrating the hard work of our people and continued success in taking advantage of the opportunities our markets offer. We have maintained our investment in our core broadcast and telecoms infrastructure markets to sustain strong performance. Alongside this, there has been continued delivery of our major capital programmes in line with key milestones which have positively impacted on the performance of the business.

We have continued to build our core broadcast and telecoms infrastructure in order to maximise capacity and develop the best strategy to utilise our infrastructure in an evolving market. As some of our programme rollouts near completion we must continue to focus on how we can develop our existing platforms for continued growth.

The Group has delivered significant operational efficiencies in the year, and continues to improve and look for further opportunities for efficiencies in order to achieve a lean business and further increase our earnings potential.

Financing

In October 2017, Arqiva announced its intention to proceed with an initial public offering ('IPO'). Owing to uncertain market conditions, the listing was not in the interests of the Company nor its stakeholders and the IPO was not pursued.

Arqiva continues to maintain its long-term debt platform, with our capital structure giving an average debt maturity profile of circa 5 years. Standard and Poor's and Fitch have reconfirmed their rating of Arqiva's senior debt as BBB.

Chief Financial Officer

Arqiva announced that Liliana Solomon, Chief Financial Officer (CFO) had decided to leave the business to pursue other career opportunities, effective 30 June 2018. I would like to take this opportunity to thank Liliana for her contribution to the business, and to wish her every success for the future.

In July 2018, we announced that Jane Aikman has been appointed as her successor. Jane joins us having previously held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies and her experience will be instrumental in helping Arqiva maintain its strong financial performance. We are delighted to be welcoming Jane to the Arqiva team.

1 Referencing EBITDA as reported on page 21

2 Referencing operating cash flow after capital and financial investment activities as reported on page 21

Changes to the Board

During the year, we welcomed Martin Healey to the Board and, after three years with us, Paul Mullins has left to pursue other opportunities. We thank Paul for his contribution to Arqiva. Martin was appointed to the Board by Frequency Infrastructure Communications Assets Limited and separately heads up the Real Assets Strategy Group at Canada Pension Plan Investment Board.

Outlook

This financial year has seen the Group continue its growth in revenue, profit and cash generation. Whilst this leaves us in a strong position as a business, we must continue to look ahead and focus on continuous improvement, to generate further operating savings whilst focusing on our strategic objectives.

This is an exciting time for Arqiva and with our role in core UK infrastructure projects such as 700MHz Clearance, 4G and DAB rollouts and the smart energy metering contract, and planning for analogue radio switchover, we are well positioned to be at the heart of the development of our core UK markets.

We work with key stakeholders, including government, regulatory bodies and our customers to build strong relationships and ensure that we remain at the forefront of decision making in the markets in which we operate to build on the trends and opportunities that they offer.

We expect that the services we provide that utilise critical national infrastructure will continue to be in demand; people in the UK will continue to watch television, listen to radio, use mobile devices and consume increasing amounts of data.

Finally, on behalf of the Board, I would like to thank all our employees across the business for their dedication and hard work, which has been central to our continued growth and success.

Mike Parton
Chairman
September 2018

Strategic report

Chief Executive's Statement

"Arqiva's financial results reflect another fantastic year and whilst there have been some specific drivers of growth, there have also been challenges."

I would first like to note that it has been another fantastic year for Arqiva that is reflected in another year of financial growth. We have continued to deliver strong performance in our core business areas and also delivered our major programmes, including 700MHz Clearance, Smart Metering, 4G Installation Services and completion of the DAB rollout. At the same time a lot of focus has been given to our operational resilience, cost effectiveness and continuous improvement.

Other highlights in the year include improved customer and employee engagement. Our customer engagement scores are significantly improved which is a really good reflection on the Company. This demonstrates our ability to deliver excellent and reliable service levels and be the preferred supplier. Our employee engagement has also increased for the fifth consecutive year. Our people are one of our biggest strengths and it is pleasing to see such great improvement as we move towards best practice. As a Group we now need to focus on delivering more of the same, driving engagement as well as continuous improvement through our FutureFit programme to continue to strengthen our operating efficiency for the future.

Our strategy for growth

Our ambition is to be central to every vital connection that people in the UK make, every day. We want to create a lean, cash-generative platform, with a clear focus on broadcast and telecoms infrastructure, on which we can continue to build as opportunities arise. Arqiva continues to serve some interesting markets which provide us with many opportunities. We need to ensure we remain competitive in our core areas and drive change and remain at the forefront of the decision making in markets such as broadcast.

We have continued to do this with the DTT platform. As viewing appetites change, the shareholders of Digital UK (including Arqiva) which support Freeview will be investing in the platform to transition to a fully hybrid platform. This will provide best of free-to-view live and on-demand TV. Additionally, Arqiva continues to work with major broadcasters and Ofcom at the heart of the 700MHz Clearance programme to clear spectrum to be used for mobile data services with high activity levels on the programme expected to continue through the next financial year.

In May 2018, the latest radio listening figure revealed that digital radio listening has now reached the 50% milestone expected to trigger a timeframe review for analogue radio switchover. We will continue to look at how we can work with the Government and Broadcasters on the review and how our DAB radio network can be utilised for this.

As demand for data continues to increase, this provides opportunity to scale our macro networks, expanding our core tower infrastructure and continuing to deliver on our smart metering contracts.

Financials

Arqiva's financial results reflect another fantastic year with continued growth in revenue up 2.2% as well as substantial increases in earnings up 9.3% and cash generation up 17.5%. Operating profit has also increased 12.7%. Whilst there have been some specific drivers of this growth across the business, there have also been challenges , particularly in a number of market segments served by our satellite and media business.

1 Reported revenues of £962.4m in 2018, and £941.3m in 2017.

2 Referencing EBITDA as reported on page 21 (2018: £517.5m; 2017: £473.5m)

3 Referencing operating cash flow after capital and financial investment activities as reported on page 24 (2018: £413.1m; 2017: £351.6m)

4 Referencing organic growth, i.e. reported revenues adjusted for the impact of disposed businesses

The main drivers of organic revenue growth were in Terrestrial Broadcast and Telecoms & M2M, with increases of up 8.6% and 0.9% respectively. A significant proportion of this has come from revenues from the core telecoms towers business, increased activity on the 700MHz Clearance programme and the Group's smart metering network. Satellite and Media revenues and earnings (down 9.1% and 3.4% respectively) have been impacted by exiting low margin contracts, pricing pressure and rationalisation of service.

The visibility of revenues with a contracted order book of £5.0 billion, inflation-linked pricing, and the opportunity to increase utilisation of our infrastructure, places Arqiva in a very strong position to continue to deliver stable profitable growth. Our on-going and significant investment in digital broadcast infrastructure; mobile networks and virtualisation underlines Arqiva's commitment to creating an efficient platform to build on with future opportunities.

Alongside our growth strategy, we have focused on continuous improvement. Our 'FutureFit' transformation programme is reducing our cost base and better aligning the way we work to reflect market developments and the needs of our customers; and strengthening our ability to deliver complex projects.

Operational delivery

We have continued to deliver, to schedule, a number of large-scale projects which leverage our tower infrastructure, including 700 MHz Clearance and smart energy and water metering.

Activity in relation to the 700MHz clearance programme has seen a significant increase in 2018 with activity at its peak and on track to deliver accelerated Clearance by 2020. Arqiva is responsible for a wide range of services required as part of the programme including spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency.

Our smart energy metering contract for the North of England and Scotland which is now 'live' has brought significant new, and recurring, revenue streams into the Telecoms and M2M business. The Arqiva network is successfully transmitting and receiving between the energy companies and consumer gas and electricity meters. The rollout of the network in Arqiva's contracted area is currently at 98% coverage and the rate of rollout of enabled gas and electricity meters to consumers' homes is expected to accelerate over the next 12 months.

The Group has now completed its DAB rollout programmes, taking BBC DAB coverage to more than 97% of the population and local DAB coverage to over 91%. We are now well positioned to benefit from a booming radio industry with further investments being made in the networks. With listening figures surpassing the 50% mark for digital radio, the focus will now be on the review to give a timeframe for full analogue switchover.

Arqiva has continued its strong delivery of the installation services for 4G rollout programme, playing a key role in helping the UK MNO's meet their coverage obligations. Volumes have remained high through 2018 but are now starting to decrease with rollout nearing completion.

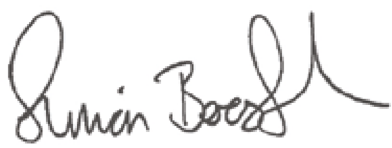
Management Board

Arqiva announced during the year the appointment of Jeremy Mavor as General Counsel and David Crawford as Managing Director of the Telecoms & M2M business. Jeremy and David replace Michael Giles and Nicholas Ott respectively, who have decided to leave their positions after a number of years of distinguished service. On behalf of the Board, I would like to thank both Michael and Nicholas for their contributions to Arqiva.

Jeremy moves to the General Counsel role from his position as Head of Legal for finance and corporate matters. David Crawford moves from his position as Managing Director of Satellite and Media. Alex Pannell, previously Commercial Director of Satellite and Media, has been appointed to replace David Crawford in this business.

Outlook

I am excited about Arqiva's future as we continue to drive customer and employee engagement. We will focus on continuous improvement to capitalise on opportunities as our markets develop. We need to be aware of our successes and not become complacent so that we can continue to leverage our critical national infrastructure and be well placed to benefit from emerging market opportunities. I am confident that our strategy, together with the support of our people, will continue to deliver our objectives and enable us to further grow as a business.



Simon Beresford-Wylie
Chief Executive Officer
September 2018

1 Referencing organic growth, i.e. reported revenues adjusted for the impact of disposed businesses

Business overview

The UK's leading independent telecom sites operator and sole UK terrestrial broadcast tower network.

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

The Group is an independent provider of telecom towers, with circa 8,000 active licensed macro cellular sites, and the only national provider of terrestrial television and radio broadcasting facilities. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve. Arqiva is independent and reliable.

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

Whilst we have an overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region; therefore, while the nature of Britain's exit from the European Union is still uncertain, we have minimal exposure to international markets and foreign exchange.

The Group has invested significant sums into its infrastructure with £1.8bn of property, plant and equipment at 30 June 2018. Arqiva is financed through a mixture of equity and a long-term debt platform, with an average debt maturity profile of circa 5 years. The Group's senior debt has an investment grade (BBB) rating from Standard & Poor's and Fitch.

A pioneer in an always on, always connected world.

Attractive UK communications infrastructure market

- DTT is the most popular TV platform in the UK, covering 98.5% of the population; and
- Explosive data traffic growth and proliferation of mobile devices driving coverage requirements and demand for telecoms towers and small cells.

A market leader

The following key competitive positions make Arqiva the market leader:

- The largest independent provider of telecom towers with c.8,000 active licensed macro cellular sites;
- Sole provider of terrestrial television network access (Freeview);
- Owner of 2 of the 3 main national commercial multiplexes; and
- Pre-eminent role in radio broadcasting both locally and nationally.

High barriers to entry

Arqiva owns critical national UK infrastructure that enables MNOs and PSBs[1] to meet their government mandated universal coverage obligations.

The Group's unique site locations and national footprint play a crucial role in supporting these coverage obligations; including our increased exclusive access to municipal street furniture across 14 London Boroughs.

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

1 Refers to Public Service Broadcasters ('PSBs')

Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936 it carried the BBC's first television broadcast. In 1978 it enabled Europe's first satellite TV test. By the 1990s Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. In the 2000s, it launched the UK's national DAB radio and digital terrestrial television network. Most recently, Arqiva has played a pioneering role in the roll-out of the national smart energy metering network, utilised its infrastructure to ready, has supported the continued roll-out of 4G data coverage, and is at the forefront of the emergence of 5G.

The Group's technology and infrastructure, combined with its history and experience, enable it to work with everyone from MNOs, such as BT-EE, Vodafone, O2 and Three, to independent radio groups and major broadcasters such as the BBC, ITV, Sky, Turner and CANAL+, to utility companies such as Thames Water and to the DCC.

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

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

Investing to ensure the UK has the communications infrastructure it needs to thrive in an increasingly connected world.

Business model and business units

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

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

- Broadcast transmission from its towers;
- Telecommunications from active licensed macro sites;
- DTT, radio and satellite multiplexes;
- Machine-to-machine network connectivity supporting smart networks;
- Satellite transmission and play-out;
- Small cells and in-building services; and
- Fibre cable connections.

Arqiva's business is aligned into the following customer-facing business units, supported by the Group's corporate functions:

Terrestrial Broadcast

Terrestrial Broadcast owns the infrastructure and sites for the transmission sites for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, and delivers related engineering projects. Revenues are derived from the utilisation of the Group's transmission sites, provision of transmission services, charges for spectrum utilisation, and for provision of engineering services. The business unit holds a regulated position as the sole provider of network access and managed transmission serices for terrestrial television services. The Group is currently earning revenue on delivery of the programme to clear the 700MHz frequency range of television signals, so that it can be used for mobile data.

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

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as UKTV, Sky, CBS and Turner to deliver broadcasting content using our channel capacity.

Arqiva also owns both HD-enabled DTT multiplex licences that provide services to Freeview and other DTT-related platforms including Youview. In addition, the business unit operates more than 1,500 transmission sites for radio, providing coverage to circa 90% of the UK population. Arqiva is a shareholder in and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex. Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.5bn which includes major contracts running as far as 2035.

Telecoms & M2M

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

The Telecoms & M2M division is the UK's largest independent provider of wireless towers, with circa 8,000[1] active licensed macro sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing

1 Including contractual obligations

Telecoms & M2M (continued)

agreements, from which Arqiva earns site share revenues and delivers equipment upgrades for the roll-out of 4G. These towers are central to Mobile Network Operators' contractual obligations and requirements to provide up to 98% 4G coverage from the end of 2017.

Arqiva has a leading position in providing neutral host In-Building solutions and DAS, with 46 systems installed in locations including Canary Wharf, Selfridges and Bluewater. Arqiva also has access to municipal street furniture sites for the provision of Small Cells and commercial wireless networks across 14 London Boroughs and in four UK towns and cities.

Although installation services from 4G are starting to decline with the rollout, the core telecoms towers business and M2M network continue to be areas of growth for the Group, with an order book of £1.3bn with some contracts running as far as 2029.

With a focus on innovation, Arqiva is embracing one of the world's fastest developing sectors - M2M - for which Arqiva utilises its Flexnet network (for smart metering – gas, electricity and water). The Group has invested in building M2M networks, which are now supporting a major energy metering contract spanning 15 years and covering more than 9 million premises, and a water metering contract which will cover 3 million homes in a, now accelerated, initial phase of 6 years, with likely extension for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which now result in recurring cash flows during the long-term operational phases of the networks.

Satellite and Media

Satellite and Media owns and operates teleports at key locations in the UK, as well as an international terrestrial fibre network, media facilities and leased satellite capacity. The Group has more than 40% market share[1] in up-linking and it serves as an alternative to Sky's own up-linking services. These enable the business to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally.

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

Arqiva manages the distribution of more than 1,100 international TV channels including coverage of high profile sporting events, and provides playout services for more than 100 channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner. Arqiva's operation of reliable and secure VSAT communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite and Media business. Examples of this include the use of IP technology to provide video-on-demand services on a pan-European basis, and also developing the metadata layer behind Freeview Play. Satellite and Media has an order book of £0.2bn which is comprised of short-to-medium term contracts extending out to 2026.

Corporate

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

See also
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1 In reference to the number of transponders accessed through up-linking services.

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

Strategic overview

Vision

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

Arqiva's core values guide how people work together and with customers:

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

Strategy

Arqiva's strategy is to reinforce its position as the leading UK communications infrastructure company, whilst supporting the development of a vibrant digital economy.

The Group's strategy is summarised by the following **strategic priorities:**

1. **Grow a financially successful business,** leveraging existing infrastructure assets and customer relationships with selective investment to maximise value by securing long-term scalable growth opportunities.
2. **Simplify and standardise our technology, platforms and processes** to optimise costs, improve efficiency and drive superior returns.
3. **Help Arqiva's customers prosper and succeed** by delivering superior services in the most cost efficient way.
4. **Be a great place to work by continuing to invest in our people**, building the Group's knowledge and growing its expertise, led by a dynamic senior management team with a clear vision and proven track record.

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

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base;
- Expanding HD and SD channel choice, thereby maximising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz clearance programme to meet target completion date in 2020;
- Continuing to develop the digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNO's;
- Growing the value of the M2M business;
- Building on Arqiva's existing urban macro site portfolio and establishing Arqiva as the predominant UK provider of urban wireless telecom infrastructure by leveraging the Group's street furniture and and exclusive concessions in prime locations;
- Continuing to improve the operational efficiency and service excellence within the Satellite and Media business unit, and taking advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market, including 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility, through expansion and development of media management service and distribution capabilities;
- Growing the Satellite data communications business in UK utilities an international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Maintaining the group wide focus on delivering cost transformation, and driving efficiencies and operational excellence across the organisation
- Maintaining high levels of service enjoyed by our customers;
- Maintaining the robustness of Arqiva's capital structure and investment grade credit rating; and
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a truly great place to work.

2018 Progress

Grow a financially successful business

- 2018 has seen a continued upward trend in strong financial performance with revenue, profit and cash generation all up

Simplify and standardise our technology, platforms and processes

- Improved margins from cost savings and operating efficiencies from the FutureFit programme becoming embedded into the cost base of the business

Help Arqiva's customer prosper and succeed

- Overall improvement in customer engagement scores
- Big successes in service reliability with instances of over 1000 days without avoidable outage
- Strong programme delivery of 700MHz and Installation services

Be a great place to work by continuing to invest in our people

- Increased employee engagement scores with now only 1 disengaged employee for 9 engaged
- Re-obtained our Investors in People Gold award

Business update

The Group's contracted order book value at 30 June 2018 was £5.0bn. In the year the Group won circa £420m of new contracts. A significant proportion of the value of this order book relates to medium to long-term contracts which includes DTT and radio transmission, site sharing, and smart metering (energy and water), as well as satellite and other infrastructure services. The Group remains focused on growth opportunities in targeted, core infrastructure areas.

Terrestrial Broadcast Developments

Freeview investment to transition to a hybrid platform

The UK's top broadcast companies have signed a new five-year agreement to accelerate Freeview's transition to a fully hybrid platform, providing the best in free-to-view live and on-demand TV. The collaboration between the BBC, ITV, Channel 4 and Arqiva – the four shareholders of Digital UK – will see an investment of £125 million over the next five years to build on the success of Freeview Play, the UK market leader in free-to-view connected TV.

Alongside the ongoing support for the Freeview platform, new developments will include a mobile app and improvements in content discoverability and navigation. The agreement to invest in developing Freeview as a fully hybrid platform reflects the complementary strength of linear TV and growth of on-demand viewing.

Since launch in 2015, more than three-and-a-half million Freeview Play products have been sold in the UK from brands including Panasonic, LG, Sony, and Toshiba, accounting for 60% of smart TV sales. The service gives UK viewers a seamless combination of live and on-demand content all in one place with no monthly subscription.

Digital Platforms channel utilisation

As at 30 June 2018, the Group had capacity of 31 videostreams on its main multiplexes, all of which were utilised. Ongoing high levels of Multiplex utilisation demonstrates the on-going attractiveness to broadcasters of the Freeview DTT platform.

700 MHz Clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned for use by the mobile network providers, a change that is being adopted across Europe, Africa, the Middle East and central Asia.

The Group is contracted with the major broadcasters and Ofcom for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery remains on track and the Group earns revenues and cashflows as the programme is completed. All Clearance events scheduled to the end of August 2018 have been completed successfully in line with the programme requirements and the programme rollout is planned to continue to May 2020.

Digital radio (DAB) rollout

Arqiva's long term strategy of supporting DAB digital radio take-up continues to show positive results. The UK's official radio listening data, produced by RAJAR, confirms that more than six in ten consumers now have a DAB digital radio. The most recent RAJAR figures show that digital listening (across DAB, DTT and IP) has exceeded 50%. As a result, the UK Government is evaluating its approach towards a review around the future of radio and a potential process for a switchover from FM to DAB at some future date.

Arqiva's DAB multiplexes show high utilisation levels driven by strong market demand as supported by the launch of an additional channel across all of Arqiva's Local multiplexes. Hits Radio, from Bauer Media is using Local multiplexes to deliver a network providing quasi-national coverage.

Telecoms & M2M developments

Arqiva helps MNOs to meet UK coverage obligations

In March 2018, Ofcom publicly announced that all four MNOs had met all of the coverage obligations they were required to meet by 31 December 2017. Arqiva played a key role in helping the UK MNOs meet these obligations and this has been recognised from the high levels of customer satisfaction received. For the past four years Arqiva undertook large volumes of antenna and feeder upgrade projects for the MNOs as part of Installation Service activities to help them achieve their coverage requirements. The Group had completed 8,245 4G equipment upgrades across Arqiva sites up to 30 June 2018 since rollout began in 2014. With coverage obligations now met and rollout nearing completion, Installation Services activity, which is lower margin compared to site sharing, is reducing in line with rollout plans.

Arqiva will continue to play a key role as new spectrum bands are deployed to meet capacity requirements which will include the rollout of 5G.

Small cells

The Group continues to develop its outdoor small cells proposition with Arqiva hosting MNO owned small cells on fully connected street infrastructure to provide street level network capacity in dense urban locations. The Group has received commercial contracts from two MNOs for localised small cells rollout in some London boroughs. In addition trials are expected in the near term with the other two MNOs.

Arqiva is fully committed and well-placed to support the UK in its efforts to become 5G ready.

In July 2017, Arqiva and Samsung Electronics launched the first field trial of 5G FWA (Fixed Wireless Access) 28GHz technology in the UK and Europe. Furthermore, the Group also acquired an additional 28GHz spectrum licence from intelligent managed services provider, Luminet. The licence for 2x 112MHz covers Central and Greater London and bolsters Arqiva's existing nationwide spectrum band ownership. The 28GHz spectrum band is the standard band used for 5G FWA connectivity trials in the USA, Japan and South Korea. During the financial year the Group has continued to engage with stakeholders to evaluate opportunities.

Smart energy metering rollout

The Group's smart metering communication network in the North of England and Scotland is live and successfully transmitting and receiving messages between the energy companies, and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots continues and these are now progressing into initial customer roll-outs. Arqiva has been supporting the DCC with their preparations ahead of mass roll-out which will commence by the end of 2018.

Further rollout of the Arqiva network is on track and currently covers 97.8% of premises in line with requirements.

Smart water metering rollout – Thames Water

Arqiva has a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The service is reliably delivering 6 million meter readings per day with over 307,000 meters installed as at 30 June 2018. Arqiva is close to having full network coverage deployed across the entire Thames Water London region, completion being targeted by the end of 2018.

Smart water metering trial contracts – Anglian Water

Arqiva has contracts with Anglian Water for the delivery and monitoring of smart water metering fixed network trials for the deployment and operation of new water meters in two regions. These trials are part of Anglian Water's plans for a long-term smart metering programme. The Group has successfully created a stable platform to generate data for Anglian's customers and through this they are realising the benefits of both improved leakage detection and consumer engagement. As at 30th June 2018, 17,200 out of the anticipated full complement of 19,500 meters had been installed.

Satellite and Media developments

UK Direct To Home (DTH) HD channel growth

In the UK DTH product line, Arqiva continued to see HD channel growth during the financial year. In the financial year to 30 June 2018 Arqiva launched four new HD channels. This further reinforces the Group's position as a leading provider of UKDTH services.

Virtualisation and OTT

Our Satellite and Media customers continue to transition to IP networks and infrastructure to deliver video growth. Arqiva has therefore developed an innovative for software defined networking that enables us to deliver highly flexible networks to meet our internal and external customer demands. Our solution delivers video to and from traditional and new IP formats in an automated and dynamic way that also provides scalable opportunities. Allowing Arqiva to meet new customer demand with a better experience, underpinned by a more efficient operating model and cost base.

During the financial year, the Group secured its first virtualised services contract with a US broadcaster who has launched a new consumer OTT service. To provide core managed teleport and fibre services, along with a highly scalable IP streaming service for hundreds of live sports events each year. With our new virtualised capabilities, we are able to provide a flexible cost model along with a highly automated delivery

Furthermore, Arqiva also secured two new customers on its new cloud based service. These new services will be delivered as part of an overall 'hybrid' solution that include core services from existing portfolio. The use of public cloud services allows Arqiva to provide high levels of service automation and commercial flexibility.

Business update

Other business developments

'FutureFit'

The Group's company-wide transformation programme, 'FutureFit', continues to progress and deliver savings. Through this transformation programme, Arqiva continues to streamline and standardise its processes, modernise IT systems and achieve significant cost efficiencies and savings. The programme covers:

- The streamlining of operational end-to-end processes across the business enabled by a transformation of IT systems to deliver improvements in operational efficiency, eliminate waste and deliver improvements in customer services; and
- Cost reductions in spending on third party suppliers in all areas. The Group is reviewing all areas of spend and progressing with a number of actions; consolidating demand across the Group to ensure best prices, re-negotiating supplier contracts, reducing spare capacity and wherever possible eliminating spend through process optimisation activities.

Great progress has been made to advance these initiatives and deliver significant savings. 'FutureFit' has contributed to EBITDA margin increase from 48.5% in the year ending 30 June 2016 to 53.8% in the year ending 30 June 2018 with further savings targeted for future years. Key developments to date include the elimination of excess satellite transponder capacity; a reduction in leased line costs; property related cost savings and cost efficiencies in a number of overhead costs.

Credit ratings update

Fitch and Moody's affirmed their ratings during the first half of the year. The Group's senior and junior debt continues to be rated at BBB (Fitch/S&P) and B-/B3 (Fitch/Moodys) respectively.

On the back of the strong financial results reports, the Group has today announced its intention to refinance (subject to market conditions) the existing Junior Notes with engagement with investors over the coming period that may lead to a new junior note being issued.

Change in Chief Financial Officer (CFO)

In July 2018, Jane Aikman joined Arqiva as its new CFO, replacing Liliana Solomon. Jane brings extensive experience having held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies. Most recently, Jane was CFO of KCOM Group, a listed communications services and IT solutions provider. Prior to KCOM Jane was CFO and Chief Operating Officer of Phoenix IT Group, a provider of Business Continuity, IT infrastructure managed services and Partner Services. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. Jane also currently serves as a non-executive director on the board of Morgan Advanced Materials, a UK PLC.

1 In addition to the existing operational efficiencies previously reported in the year ended 30 June 2016.

Financial review

Headline financials

Revenue

↑ 2.2% to

£962.4m

Operating profit

↑ 12.7% to

£328.1m

EBITDA

↑ 9.3% to

£517.5m

Profit before tax

↑ loss increased to profit of

£55.5m

profit includes non-cash charges (net) of £233.0m (2017: £413.4m) – see page 23)

Operating cash flow

↑ 16.8% to

£572.1m

Operating cash flow after capital and financial investment activities

↑ 17.5% to

£413.1m

Financial performance

For the year ended 30 June 2018, revenue for the Group was £962.4m, an increase of 2.2% from £941.3m in the prior year. Revenue includes £nil (prior year £7.2m) from the Group's former WiFi business disposed of during the prior year. Excluding the effect on financial performance of this disposal, organic revenue growth from the continuing business was 3.0%. This continues a trend of reported revenue growth with a compound annual growth rate of 3.9%

Revenue by operating segment	30 June 2018 £m	30 June 2017 £m	Variance %
Terrestrial Broadcast	487.6	449.0	8.6
Telecoms & M2M	341.3	345.4	(1.2)
Satellite and Media	133.5	146.9	(9.1)
Total	962.4	941.3	2.2

Terrestrial Broadcast revenues increased by 8.6% from £449.0m to £487.6m year on year. Revenue on contracts has increased through the year, resulting from the current phase of the DAB rollout that has completed in the year and the increased transmission activity thereon. RPI linked increases on broadcast contracts have delivered further growth. The 700MHz Clearance programme has seen a significant increase in the year with activity on the programme at its peak with 210 sites completed and activity on this project is expected to remain at elevated levels through the next financial year.

Telecoms & M2M revenues decreased by 1.2% from £345.4m to £341.3m year on year. Excluding the effect of the Group's WiFi business disposed of in the prior year which contributed £7.2m to revenue in 2017, the telecoms business experienced revenue growth of 0.9%. The increase in revenue resulted primarily from growth across the Group's core telecoms towers business driven by increased site numbers under the Group's control and associated activities. Whilst activities from Installation Services to assist MNOs in meeting coverage requirements remained high for most of FY18 with annual revenue of £51.6m, volumes have begun decreasing and are expected to continue to decrease in to the next financial year in line with 4G rollout. Revenue from the M2M business has continued to increase as a result of further change requests negotiated in the year. This has however been partially offset by a reduction in revenue from meter sales in relation to its smart metering contract with Thames Water.

Satellite and Media is operating in a challenging market with revenue reductions in 2018 of 9.1% from £146.9m to £133.5m year on year and expected to continue in to 2019. The decrease was driven by the continuing impact of exiting low margin contracts, pricing pressure and rationalisation of services. The decrease year on year has however been partially offset by the rollout of new HD channels within the UK DTH business.

Gross profit was £639.4m, representing a 8.8% increase from £587.8m in the prior year. Gross profit from the continuing business[1] increased by 9.1% year on year as a result of strong revenue growth and improvements in the efficiency of service delivery.

Other operating expenses before exceptional items were £121.8m, up 6.5% from £114.4m in the prior year. The increase is due to a shift in the nature of activities as major programmes progress, which has reduced internal labour costs and increased third party expense, as well as additional one off consultancy costs incurred in the year.

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance such as exceptional items. A reconciliation of EBITDA to operating profit is provided on page 23.

EBITDA for the Group was £517.5m, representing a 9.3% increase from £473.5m in the prior year, explained by the increase in gross profit resulting from the shift in sales mix as well as cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business. This performance reflects another year of strong upward trend in EBITDA growth with an annualised growth rate over the past 4 years 7.1%.

EBITDA by operating segment	30 June 2018 £m	30 June 2017 £m	Variance %
Terrestrial Broadcast	360.8	329.4	9.5
Telecoms & M2M	178.1	155.1	14.8
Satellite and Media	33.8	35.0	(3.4)
Other[2]	(55.2)	(46.0)	(20.0)
Total	517.5	473.5	9.3%

EBITDA for the Group's Terrestrial Broadcast business was £360.8m, representing a 9.5% increase from £329.4m in the prior year. The growth was mainly due to significant increases in the 700MHz Clearance Programme, with activity at its peak in the year, as well as increased activity from DAB following the completion of rollout.

EBITDA for the Group's Telecoms & M2M business was £178.1m, a 14.8% increase from £155.1m in the prior year. This strong increase has been driven by changes in sales mix namely an increase in site share revenue and incremental changes relating to the smart metering contract offset by a reduction in lower margin installation services activity.

EBITDA for the Satellite and Media business was £33.8m which was a 3.4% decrease from £35.0m in the prior year. The decrease reflects the challenges of the market with revenue reducing partially offset by reduction of Satellite capacity costs as a result of the FutureFit savings programme.

The increase in other costs versus the prior year is reflective of increased maintenance and licence costs to support IT systems in growth areas including Smart metering, together with one-off costs including consultancy costs.

Depreciation (2018: £163.7m; 2017: £141.6m) and amortisation (2018: £16.7m; 2017: £12.6m) were collectively 17.0% higher year on year. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with Smart Metering contracts and the 700 MHz Clearance programme) and the accelerated depreciation and amortisation on certain assets (particularly asset replacements connected with the 700MHz Clearance Programme and software impacted by the Group's IT transformation programme respectively).

Impairment of £4.4m (2017: £nil) was recognised in the year to write down the value of tangible and intangible assets in relation to non-core business areas.

Exceptional items charged to operating profit were £9.5m, down from £29.5m in 2017. These costs relate predominantly to reorganisation costs as the Group executes its FutureFit operational efficiency programme. The decrease is due to one off costs incurred in 2017 related to compensation payments for changes to employee terms and conditions.

Operating profit for the year was £328.1m, an increase of 12.7% from £291.1m in the prior year. The increase was due to the additional EBITDA generated from each of the group's businesses, partially offset by higher exceptional charges and higher depreciation and amortisation charges. A reconciliation between operating profit and EBITDA is presented below:

1 Excluding the financial effect of the disposed non-core business areas outlined above – 2018 gross margin: £nil; 2017 gross margin: £1.7m.
2 Other refers to the Group's corporate business unit. See page 29 for a description of the Group's business units and the activities involved.

Financial review

Reconciliation between operating profit and EBITDA	30 June 2018 £m	30 June 2017 £m
Operating profit	328.1	291.1
Exceptional items charged to operating profit	9.5	29.5
Depreciation	163.7	141.6
Amortisation	16.7	12.6
Impairment	4.4	-
Share of results of associates and joint ventures	(0.2)	(0.3)
Other income	(4.6)	(1.1)
Other[1]	(0.1)	0.1
EBITDA	517.5	473.5

Finance costs (net of finance income) were £365.0m, an increase of 2.8% from £354.8m in the prior year. The increase was primarily due to the compounding effect of interest on outstanding amounts owed to group undertakings and increased imputed interest partially offset by decreases as a result of the new facilities and swap instruments established in November 2016.

The Group reported £92.4m (gains) within other gains and losses in the year (2017: £133.1m losses). This principally arises from positive fair value movements (gain of £90.3m) recorded in respect of derivative contracts, which are not hedge accounted, attributable to changes in market yields and credit spreads. A £2.0m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however the cross- currency swaps provide an economic hedge to the Group's US$ denominated debt. The gain recorded in the year also includes £0.1m profit on disposal of investment in relation to the sale of the Arts Alliance Media Investment Limited joint venture.

Profit before tax was £55.5m, up from a loss of £196.9m in the prior year. The loss before tax is reported after non-cash charges of £233.0m (2017: £413.4m) as shown below:

Reconciliation between loss before tax and profit before tax and non-cash charges/(gains)	Year ended **30 June 2018** £m	Year ended **30 June 2017** £m
Profit/(loss) before tax	**55.5**	**(196.9)**
Depreciation	163.7	141.6
Amortisation	16.7	12.6
Impairment	4.4	-
Share of results of associates and joint ventures	(0.2)	(0.3)
Accrued interest on shareholder loan notes	102.6	93.2
Other non-cash financing costs [2]	38.2	33.2
Foreign exchange revaluations on financing	(2.0)	8.3
Fair value movements on derivative financial instruments	(90.3)	104.2
Exceptional close out of swap arrangements	-	15.4
Exceptional loss / on disposal of subsidiary	-	5.2
Exceptional profit on disposal of joint venture	(0.1)	-
Total non-cash charges	**233.0**	**413.4**
Adjusted profit before tax and non-cash charges	288.5	216.5

1 includes add-backs for certain profit or loss on disposal of other intangibles and property plant and equipment and including deductions for non-interest related finance costs, principally bank charges, that are not considered relevant in understanding the underlying performance of the business.

Net cash inflow from operating activities was £572.1m, representing an increase of 16.8% from £489.7m in the prior year. This increase is owing to positive working capital movements predominantly from additional cash received from customers (increasing deferred income) and the additional EBITDA generated by the business.

Net capital expenditure and financial investment was £159.0m, representing an increase of 15.1% from the prior year. In the year there were £5.2m net proceeds on the disposal of the Group's investment in Arts Alliance Media Investment Limited (2017: £23.2m net proceeds on disposal of the Group's WiFi business).

Operating cash flow after capital and financial investment activities[1] was £413.1m, an increase of 17.5% from £351.6m in the prior year.

Reconciliation between net cash inflow from operating activities and operating cash inflow after capital and financial investment activities	30 June 2018 £m	30 June 2017 £m
Net cash inflow from operating activities	572.1	489.7
Purchase of tangible and intangible assets	(165.1)	(161.3)
Sale of tangible assets	0.3	-
Disposal of subsidiary undertakings	-	23.2
Disposal of investment	5.2	
Loans to joint ventures	0.6	-
Net capital expenditure and financial investment	**(159.0)**	**(138.1)**
Operating cash flow after capital and financial investment activities	**413.1**	**351.6**

Financial position

Net liabilities were £1,507.5m, representing a decrease of 16.2% from £1,799.9m in the prior year.

During the year, the Group recognised a deferred tax asset of £206.1m as a result of Finance (No.2) Act 2017 being substantively enacted in the year. The changes in the Finance Act result in the Group expecting to utilise its deferred tax assets in a foreseeable time period and therefore have been recognised on the statement of financial position.

Financing

The Group established its Whole Business Securitisation ('WBS') structure in February 2013, and since then it has continued to refinance elements of its debt structure further extending its maturity profile. The Group continues to hold significant levels of financing incurring costs thereon.

Standard and Poors and Fitch reconfirmed their rating of Arqiva's senior debt at BBB.

At 30 June 2018 the Group's debt finance[2] comprised:

	Falling due				
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Total £m
Facilities drawn	55.0	-	-	-	55.0
Finance lease obligations	0.7	1.6	1.7	9.1	13.1
Senior term debt	-	75.0	-	370.0	445.0
Senior bonds and notes	77.2	427.2	393.2	957.5	1,855.1
Junior bonds	-	600.0	-	-	600.0
Intragroup loans	-	-	-	45.2	45.2
Total	**132.9**	**1,103.8**	**394.9**	**1,381.8**	**3,013.4**

Included within the above is £1,994.9m of fixed rate debt and £1,018.5m of floating rate debt of which £272.9m is US$ denominated. The Group holds interest rate swaps (including inflation-linked interest rate swaps) and cross-currency swaps to hedge its interest rate and foreign currency exposures. This hedging strategy is employed to ensure the certainty of future interest cash flows.

2 Includes amortisation of debt issue costs, unwinding of the discount on provisions and imputed interest.

Financial review

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements at the senior and junior financial levels:

	30 June 2018	30 June 2017
Senior debt level financial covenant ratios		
Maximum allowed ratio of net debt to EBITDA	7.50	7.50
Actual ratio of net debt to EBITDA	4.42	5.10
Minimum allowed ratio of cash flow[1] to interest	1.55	1.55
Actual ratio of cash flow[1] to interest	2.78	2.53
Junior debt level financial covenant ratios		
Maximum allowed ratio of net debt to EBITDA	8.50	8.50
Actual ratio of net debt to EBITDA	5.51	6.29
Minimum allowed ratio of cash flow[1] to interest	1.50	1.50
Actual ratio of cash flow[1] to interest	2.11	1.92

Liquidity

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

Drawings on facilities at 30 June 2018	Total Facility £m	Drawn £m	Available £m
Working capital facility	140.0	55.0	85.0
Capital expenditure facility	250.0	-	250.0
Liquidity facility	250.0	-	250.0
Total	**640.0**	**55.0**	**585.0**

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

Going concern

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments both in terms of capital programmes and financing. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing this financial information.

Key performance indicators

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

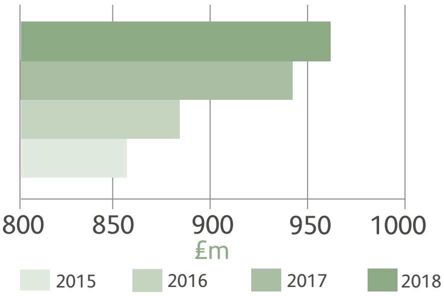
The Group's strategic priorities centre around:

- Growing a financially successful business (financial success);
- Simplification and standardisation of our approach to efficiency (driving increasing returns);
- Helping our customers prosper and succeed (our customers); and
- Being a great place to work (our people).

See page 15 for further details on our strategic priorities

Financial success and driving increasing returns…

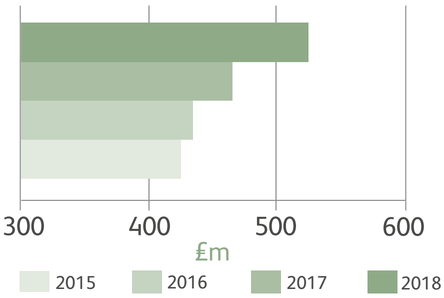
Revenue



Definition - Revenue is presented as per the financial statements, and in accordance with IAS 18.

Result - Revenue has increased 2.2% from the prior year (2018: £962.4m; 2017: £941.3m) and 3.9% on an annualised basis over the past four years. The primary drivers of this continued growth were within the Group's telecoms towers business, benefitting from greater site numbers and/or greater capacity utilisation as well as peak activity on the 700 MHz Clearance within Terrestrial Broadcast. Additionally, revenue growth was driven by the Group's smart energy metering network with increased activity in the year.

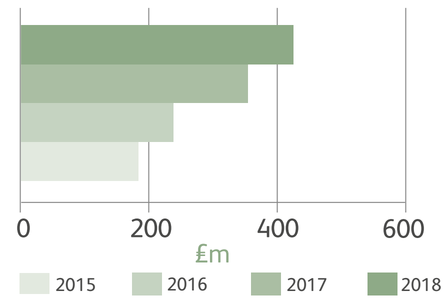
EBITDA



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

Result - EBITDA grew 9.5% from the prior year (2018: £517.5m; 2017: £473.5m) and demonstrates consecutive growth over the past four years with 7.1% on an annualised basis. The growth in the year outstripped the aforementioned revenue growth due to shifts in sales mix with reductions in lower margin business areas as well as cost saving initiatives becoming embedded in the cost base of the business.

Operating cash flow after capital and financial investment



Definition - Operating cash flow after capital and financial investment activities represents the cash generated after the spending required to maintain or expand its asset base. This is calculated as the net cash flow from operations minus the net cash flow from capital expenditure and financial investment. See page 24 for its reconciliation to net cash flow from operations.

Result - The cash generated was £413.1m, up 17.5% from the prior year; and representing annualised growth of 32.3% over the past four years.

Our customers…

Delivery on our customer promises

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

- The Smart Metering M2M contract, which went live in late 2016. Various improvements in the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub and network coverage has now reached c. 98% in line with requirements;
- 700MHz Clearance. As at 30 June 2018, work has been completed on 29 Main Station and 181 Relay sites. Main Station groundworks have commenced on 43 sites, 28 of which have completed Clearance events and Relay groundworks have been completed at 144 sites.
- The programme to increase UK DAB network coverage has been completed and all new services are now live.

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2018	99.99%	99.99%
2017	99.99%	99.99%
2016	99.99%	99.99%
2015	99.99%	99.99%
2014	99.99%	99.99%

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

Result - Through careful management Arqiva has consistently been able to achieve excellent levels of network availability.

Our people…

	Investors in people award
2018	Gold
2017	Silver
2016	Gold
2015	Gold
2014	Gold

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

Result - The regaining of the Gold award reflects our growing employee engagement. To achieve this Arqiva has demonstrated its commitment to our values, improved trust and visibility of senior leaders, clearer focus on how individual and team objectives align with business goals, focus on systems and process improvements.

Spotlight: Terrestrial Broadcast

c.1150
TV transmission sites

c.800[1]
radio transmission sites

4
DTT multiplex licences

Services delivered

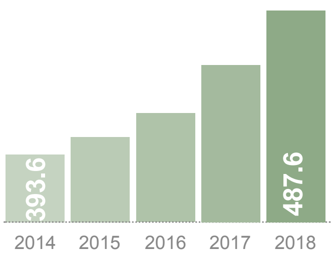
The Terrestrial Broadcast business unit provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90 % of the UK's radio transmission, including ownership interests in the two commercial national digital radio multiplexes. Included within this business unit is the Group's DTT multiplex business, which owns and operates two of the three main national commercial digital terrestrial TV multiplexes, plus two DVB-T2 multiplexes (capable of providing additional services including HD content).

The 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.

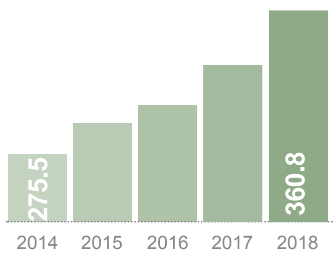
Our customers include...

Business snapshot

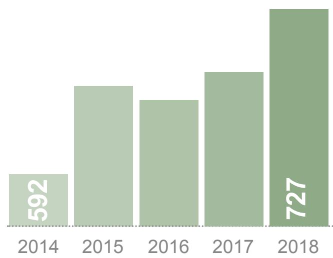
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Terrestrial Broadcast as a result of:

- DAB roll-out and increased transmission activity thereon;
- RPI-linked increases on broadcast service contracts.
- Increased activity in relation to the 700MHz Clearance programme; and

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

Market environment

The DTT platform, which is broadcast primarily under the Freeview brand name, continues to be very important. It remains attractive in the UK for Hybrid DTT / IP TV service where DTT remains the underlying delivery mechanism that has a core free-to-air linear content base with a variety of OTT services on-top.

It was announced in May that the UK has reached the 50 % milestone of digital radio listeners. This, combined with the completion of the DAB roll out places the business in a prominent position to support DAB as the long- term successor to analogue with any future decisions on the switch over from analogue radio broadcast.

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) so that it can be auctioned for use by the mobile network providers. This is a change that will be adopted across Europe, Africa, the Middle East and central Asia. The Group has contracted with the major broadcasters and Ofcom for the delivery of the programme.

Spotlight on 700MHz Clearance

As a key driver of growth in the year, the 700 MHz Clearance programme has reached the peak of its activity and remains on track to deliver accelerated Clearance over the next few years.

Progress to the year-end includes:

Total 210 sites completed

Airworks

Main stations

29
completed

67
remaining sites

Relay stations

181
completed

708
remaining sites

Groundworks

43
In progress

47
Remaining sites

Spotlight: Telecoms & M2M

c.8,000
active licensed macro sites

46
In-building systems installed

>12million
Premises to be covered by our smart networks

c.229,000
municipal street furniture sites in 14 London Boroughs

Services delivered

Arqiva's physical infrastructure gives mobile operators access to circa 8,000 active sites forming the Group's core telecom tower business. Space on towers, in-building systems and street furniture are licensed to national MNOs and other wireless network operators to enable complete mobile communications networks ('site-share'). Arqiva also works with major mobile providers such as BT-EE, Vodafone, Telefonica O2 and Three UK to upgrade networks to support 4G and future mobile services such as 5G.

Arqiva is a UK host provider of indoor and outdoor Distributed Antenna Systems ('DAS') with 46 in-building systems installed in locations such as Canary Wharf and Excel London, and is a provider of outdoor small cells infrastructure with exclusive access to street infrastructure in four major UK towns and cities including 14 London Boroughs.

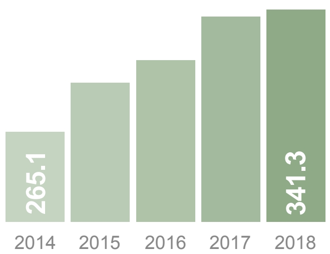
Utilising the Group's sites, Arqiva is building machine-to-machine networks as part of long-term contracts to provide a smart energy metering network for approximately 9.3 million premises in Scotland and the north of England, and a smart water metering network for customers in the south of England.

Our customers include...

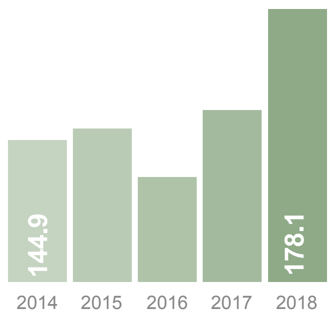
EE, O2, BT, Three, Vodafone, Thames Water, Data Communications Company

Business unit snapshot

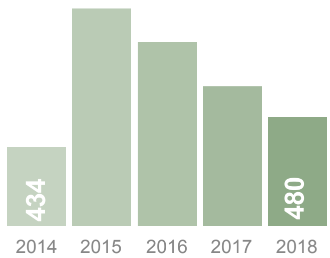
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Telecoms & M2M revenues and earnings principally as a result of:

- Continued increased revenues and earnings from the core telecoms towers business due to higher site assignments;
- Greater recurring revenues from incremental contract changes relating to the smart energy metering contract and incremental change requests agreed in the year;
- Although strong delivery on installation services programmes, volumes are decreasing in line with 4G rollout.

Market environment

In March 2018, Ofcom publicly announced that all four UK MNO's had met all of their coverage obligations that they were required to meet by 31 December 2017. As the rollout of 4G nears completion the market remains focused on its macro sites. There are opportunities in the industry to expand the footprint of sites and densification.

The Group continues to actively develop its outdoor small cells proposition. Arqiva's solution uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. The Group has received commercial contracts from two MNO's for initial phases of rollout and anticipates further trials in the near term.

In July 2017, Arqiva and Samsung Electronics launched the first field trial of 5G FWA (Fixed Wireless Access) 28GHz technology in the UK and Europe. Arqiva will continue to play a key role as new spectrum bands are deployed and is fully committed and well-placed to support the UK in its efforts to become 5G ready.

Spotlight: Satellite and Media

80 earth stations accessing >40 satellites

5 teleports

We deliver via satellite to 5 continents 24/7

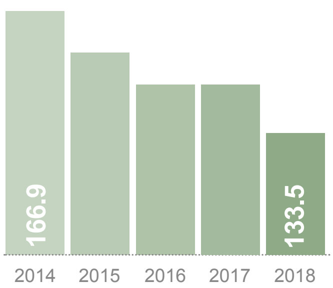
Services delivered

The Satellite and Media business unit provides a range of services to transmit and play-out content around the globe. It holds five award winning teleports which represent a significant barrier to entry in the market. Arqiva provides customers with up-linking and down-linking services to offer a satellite and fibre distribution network to distribute customers' data and programming, including c.50% of all channels on the Sky platform. Its media management services include the play-out of content, watermarking and advert placement, and connected TV services (including video on demand, streaming, metadata management and other over-the-top services). Additionally, it can offer secure and reliable satellite data communications to remote and hostile locations. These customisable end-to-end solutions are currently provided to energy and aeronautical organisations.

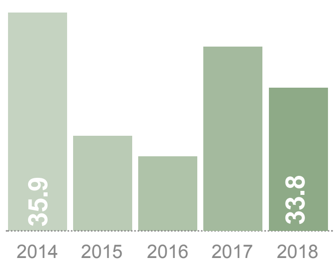
Our customers include...

Business snapshot

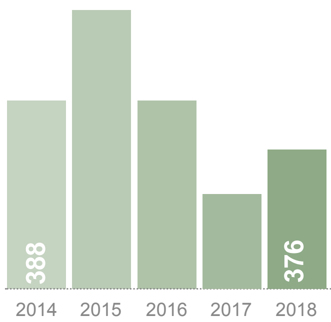
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



Satellite and Media continues to be a challenging market which has resulted in decreased revenue and earnings for the year. However, as an ever changing market there are new areas providing opportunities for growth going forward. During the year the business has experienced:

- Reduction in revenue and earnings from the termination of certain low margin contracts in the UK Direct-to-Home market place;
- Pricing pressures
- Foreign exchange gains in the prior year not repeated
- Contract novation's for satellite capacity as part of rationalisation of services;
- New HD channel sales growth; and
- New virtualised capabilities.

Market environment

The TV broadcasting market continues to see increased demand for HD channel services. Since the launch of the Sky+ HD box nine years ago, there are around nine million in operation today . HD services continue to be seen as business critical, with big shows attracting the largest audience shares and therefore commanding the largest advertising revenues.

Growth in other platforms also continues within the industry as customers continue to transition to using over-the-top services and Internet Protocol delivered content. The broadcast market has 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. This market offers opportunities to deliver flexible networks and cloud based solutions to deliver content in more dynamic ways.

Hybrid TV and virtualisation are growth areas in the market. Arqiva is a leader in virtualised services having launched a new consumer OTT service to provide core managed teleport and fibre services along with scalable IP streaming services.

[1]Per www.freeviewuk.net/sky_tv.php

Corporate responsibility

Arqiva endeavours to conduct its business in a way that benefits its customers, suppliers, employees, shareholders and the communities in which it operates. Three values are at the heart of the organisation. They were developed by the Group's employees and are therefore owned by its people.

Ingenious

Finding ingenious and smarter ways to support our customers

Straightforward

Talking and acting in a clear and straightforward way to make sure we're always effective and understood

Collaborative

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

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

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

The Group has four focus areas to ensure that it acts responsibly, ethically and safely in everything that we do.

1. Corporate focus – together we are stronger
2. Community focus – building community
3. Employee focus – supporting personal contribution
4. Business focus – being a responsible employer

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. The Group is always looking at new and innovative ways of driving down its carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. Additionally it investigates how emerging technologies and ingenious ways of working can help it and its customers become more environmentally friendly. As new technologies emerge and legacy equipment is replaced Arqiva looks for the most environmentally-friendly ways to dispose of redundant hardware.

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

In 2014, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification in relation to is Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its security-conscious culture and compliance with this internationally recognised standard. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

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

Employees

The average number of persons employed by the Group during the year was 2,088 (2017: 2,100). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

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

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

The Arqiva Employee Board has continued throughout the year. The AEB is a democratically elected Board that acts as a voice for employees across Arqiva and provide a clear and direct link between the Group's employees and Senior Executive Management. The AEB continues to meet on a monthly basis to discuss key matters such as performance management, or efficiencies and process in order to develop responsive action plans. The AEB (as well as the Senior Executive Management) also interacts with representatives of BECTU regarding employee matters.

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

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

The Group wants all of its employees to benefit from its success and growth as a business. The annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with the values. The scheme takes into account the targets that have been set by the Group and then multiplies this by a personal performance rating. The Group must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the financial KPIs of EBITDA and operating cash performance. The bonus payment for the 2018 financial year will be made in September 2018. In addition, certain members of senior executive management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the long-term incentive plan period. As with the annual bonus scheme, the Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plans which is then calculated based upon the 3 year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

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

	Female Number / %	Male Number / %
Board of Directors	3 / 23 %	10 / 77 %
Senior Executive Management	-	6 / 100 %
Group Employees	584 / 28 %	1,504 / 72 %

Corporate responsibility

Gender Pay Gap

In March, Arqiva published our first gender pay gap report including details on why we have a pay gap and the actions we are taking. The full report is available on the Company website at www.arqiva.com.

Charitable donations, community and social activities

During the year, the Group made a number of charitable donations including to local charities and those that matter to Arqiva's people. Contributions were made as part of a matched funding scheme to match employee fundraising for charitable events in which they participate. The Group also supports the Give as you Earn scheme, working in partnership with the Charities Aid Foundation which manages the scheme. Arqiva's 'Connected Communities' programme also supports colleagues to take part in volunteering activities for local charities.

Arqiva is connected with universities and schools to invest in the future of Science, Technology, Engineering and Maths (STEM). The Group has active intern, apprentice and graduate schemes and STEM ambassadors who support local schools and encourage visits from schools to Arqiva's main sites to stimulate their interest in STEM subjects as a key step to their future career.

Arqiva supports both the Armed Forces Covenant and Walking with the Wounded. The Armed Forces covenant assists getting former armed forces personnel in getting back in to the civilian workforce through attendance at military careers fairs and training days. The Group supports Walking with the Wounded through fundraising and operational support for the work they do.

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in supply chains. The full statement is included on page 39 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

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

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which it operates. The total contribution to UK tax receipts including business rates and NI paid by both Arqiva and employees, totalled £76.6m 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 less than 1% of operating profit and there are no tax planning activities undertaken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of the UK. The Group's small trading entities overseas deal directly with customers in their area of residence and fulfil their tax requirements in the local jurisdictions.

This report was approved by the Board of Directors on 6 September 2018 and signed on its behalf by:

Paul Dollman, Director
6 September 2018

Modern Slavery Act: Slavery and Human Trafficking Statement

Overarching Statement

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

Organisation's Structure

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

Arqiva Limited and Arqiva Services Limited, and their respective subsidiaries, and Arqiva Smart Metering Limited are part of the Arqiva group which has its head office in the UK. We have over 2,000 employees and operate in the UK, Ireland, mainland Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited (including their respective subsidiaries) and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36.0 million.

Our Supply Chains

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

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

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

Our Policies on Slavery and Human Trafficking

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

Due Diligence Processes for Slavery and Human Trafficking

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

- Aim to identify and assess potential risk areas in our own business and our supply chains;
- Mitigate the risk of slavery and human trafficking occurring in our own business and our supply chains;
- Monitor potential risk areas in our own business and our supply chains;
- Where possible build long standing relationships with suppliers and make clear our expectations of their business behaviour;
- Require our suppliers to comply with the Modern Slavery Act 2015 and have their own suitable anti-slavery and human trafficking policies and processes; and
- Encourage the reporting of concerns and support the protection of whistle blowers.

Supplier Adherence to our Values

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

Our Procurement Director is currently responsible for compliance with the Modern Slavery Act 2015 and for the supplier relationships.

Training

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

Our Effectiveness in combating Slavery and Human Trafficking

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

- Use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct;
- Use of our payroll systems.

Steps taken during the financial year to 30 June 2018

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

a) We have implemented a new e-procurement system, as part of which all of our existing suppliers have been or will be required to go through a re-qualification process (to date 99.4% of suppliers by spend in the last financial year are in the process of, or have completed, this exercise.) This includes revised background checks and further confirmation that suppliers adhere to our Supplier Code of Conduct, which covers modern slavery and human trafficking. In addition, all incoming suppliers now go through the e-procurement system requiring these confirmations at the outset of the contractual relationship.

b) Our suite of compliance policies (both internal and external), including our Whistleblowing policy and Supplier Code of Conduct have been reviewed and updated by external lawyers.

c) We have reviewed our training requirements for compliance matters, including slavery and human trafficking, and a new e-learning has been selected, which includes specific training on slavery and human trafficking.

d) We continue to regularly review our template Supply Contracts and standard Terms & Conditions to ensure appropriate provisions are included when new contracts are entered into.

Statement

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Services Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2018.

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

Governance

Board of Directors and Senior Executive Management

Ownership

The Company is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board (48%), Macquarie European Infrastructure Fund II (25%) plus other Macquarie managed funds (1.5%), Health Super Investments Pty Limited (5.5%), IFM Investors (14.8%) and the Motor Trades Association of Australia (5.2%). There is no ultimate controlling party of the Company, as defined by IAS 24 'Related parties'.

There are two investor companies which are related parties with the Group, in accordance with IAS 24, by virtue of significant shareholding in the Group:

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

Board committee membership

A	Audit and Risk Committee
N	Nomination Committee
R	Remuneration Committee
O	Operational Resilience
☐	Committee Chairman

Arqiva Board of Directors

The Group's Board of Directors[1] is comprised of the following officers who were in office during the year and up to the date of the signing of the annual report and financial statements:

Mike Parton, Chairman

Mike has brought a wealth of experience from his background in telecoms and technology. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi.

A N R O

Paul Dollman, Independent Non-Executive and Audit Committee Chairman

Paul is a Chartered Accountant and was Group Finance Director of John Menzies plc for over ten years until May 2013. Prior to that he was Group Finance Director of William Grant and Sons Ltd and previously held several senior finance positions. He is a Non-executive Director of Scottish Amicable Life Association Society and is Audit Committee Chairman of Wilmington plc and Verastar. He is also a member of the Audit Committee of The National Library of Scotland.

A

Sally Davis, Independent Non-Executive Director

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

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

R

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

Arqiva Board of Directors (continued)

Simon Beresford-Wylie, Chief Executive Officer

Simon brings a wealth of experience gained from over 30 years in the information technology, broadcast and telecoms sector.

He previously helped guide the strategy and operations of Samsung Electronics' network business in Seoul, Korea. Prior to this he was CEO of UK-based Digital Mobile Spectrum Limited (DMSL) – also known as At800 – which was established as a 4G licence condition by Ofcom and is responsible for mitigating interference issues that arise as a consequence of the co-existence of DTT television and 4G mobile in the 800MHz band.

Between 2009 and 2012, Simon was CEO of Elster Group (SE). He led the company through a period of growth and also a successful listing on the New York Stock Exchange. Additionally 11 years with the Nokia Corporation saw him latterly serving on the Group Executive Board responsible for the Group's Network Business. He was also the founding CEO of Nokia Siemens Networks which today accounts for around 90% of Nokia's global revenues and profits.

Jane Aikman, Chief Financial Officer

Jane was appointed as Chief Financial Officer in July 2018. Jane has previously held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies. Immediately prior to joining Arqiva, Jane was CFO of KCOM Group plc, a listed communications services and IT solutions provider. Prior to KCOM, Jane was CFO and Chief Operating Officer of Phoenix IT Group plc until its acquisition by Daisy Group in 2015. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. She holds a civil engineering degree and is a member of the Institute of Chartered Accountants in England and Wales.

Jane's experience is instrumental in ensuring that we maintain our strong financial performance, where efficiency gains and revenue growth continue to underpin our strong market position and leading product offerings.

Appointed by Frequency Infrastructure Communications Assets Limited:

Martin Healey, Director

Martin was appointed to the Board on 23 April 2018. Martin heads up the Real Assets Strategy Group at Canada Pension Plan Investment Board. He is a member of CPPIB's global committee for equity investments into real estate, infrastructure and power & renewables, as well as real estate debt.

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

Neil King, Director

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

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

A N R O

Peter Adams, Director (alternate)

Peter is a Principal in the Infrastructure group at CPP Investment Board, based in London.

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

Board of Directors and Senior Executive Management

Appointed by Macquarie European Infrastructure Fund II:

Nathan Luckey, Director

Nathan is a Managing Director in Macquarie Infrastructure and Real Assets, and holds a number of non-executive directorship roles for companies within MIRA's investment portfolio. Nathan is a qualified Mechanical Engineer, with expertise across the utilities, telecommunications, transportation and media sectors.

O

Mark Braithwaite, Director

Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seeboard plc. Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.

A N R

Appointed by IFM Investors:

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.

A N R O

Deepu Chintamaneni, Director (alternate)

Deepu is responsible for the origination and execution of infrastructure transactions, and asset management of existing investments. Prior to IFM Investors, Deepu worked in the Infrastructure and Energy Finance group at Citigroup in New York where she advised and provided financing for transactions across various infrastructure sectors.

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

Damian Walsh, Director

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

A R O

Board of Directors and Senior Executive Management

Senior Executive Management
(also includes the Chief Executive Officer and the Chief Financial Officer on page 44)

David Crawford, Managing Director, Telecoms & M2M

- Appointed **Arqiva** Telecoms & M2M in April 2018, previously managing Director of our Satellite and Media business
- Commercial leadership roles at **Cable & Wireless** and **Capita**
- Other previous positions at **Jardine Matheson** and **Bain**

Steve Holbrook, Managing Director, Terrestrial Broadcast

- **Arqiva** since 1995, heading Terrestrial Broadcast previously including Satellite
- Other previous positions at **Mercury Communications, Kingston Satellite Services, British Aerospace** and **British Telecom International**

Alex Pannell, Managing Director, Satellite and Media

- **Arqiva** since 2012, appointed Satellite and Media head in April 2018
- Director in **BT Wholesale**
- Other previous positions at **Concert Communications**

Matthew Brearley, Director of People and Organisation

- **Arqiva** since February 2012
- **Vodafone UK** HR & Property Director
- B&Q Director of Retail HR
- Other previous positions at **Associated British Foods** and **Exxon Corporation**

Clive White, Group Transformation Director

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

Jeremy Mavor, General Counsel

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

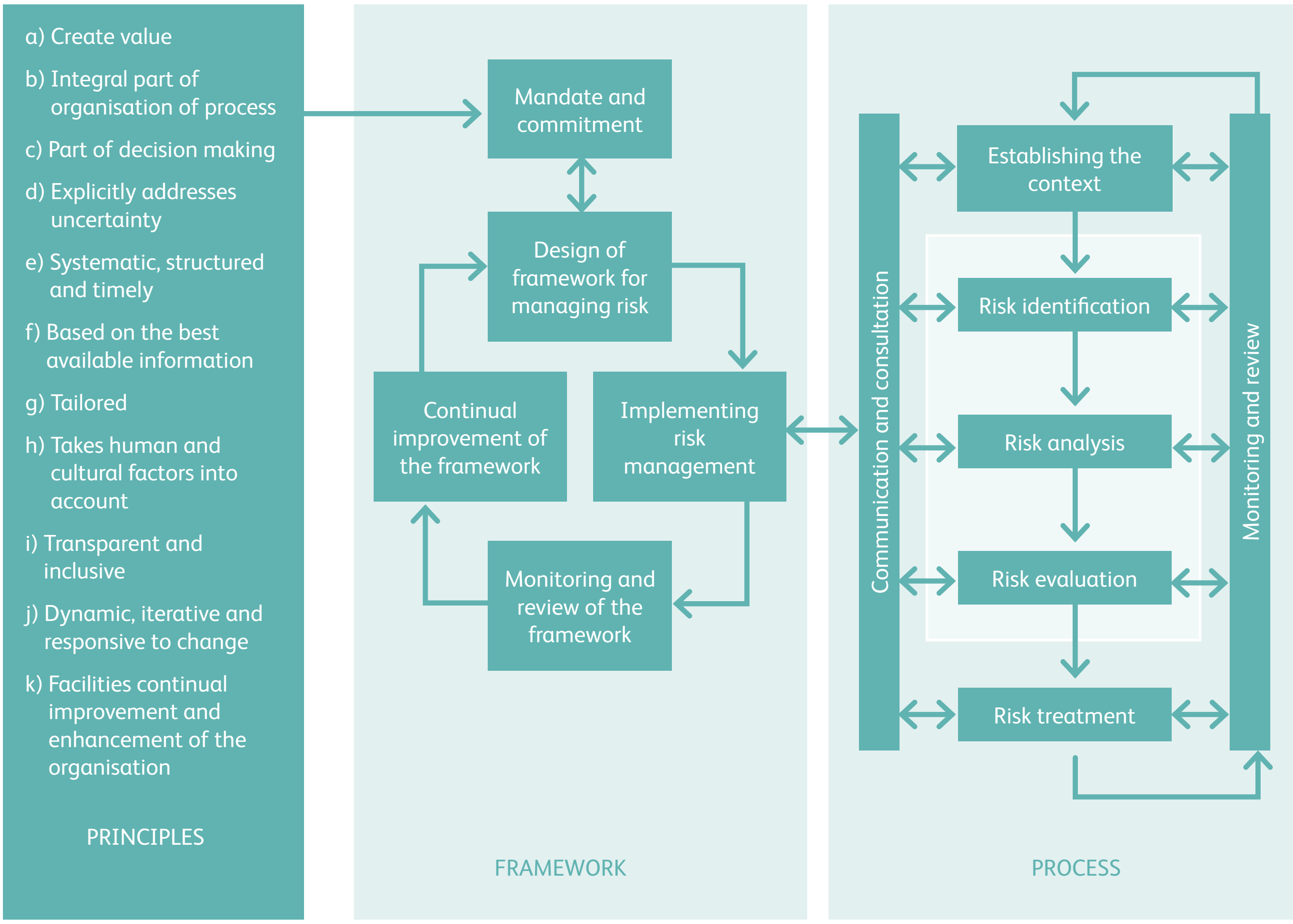
Principal risks and uncertainties

Arqiva's approach to risk management is as follows:

- Arqiva recognises that the effective management of risk is essential to achieve its business objectives.
- Arqiva adopts an ERM[1] approach, which is recognised as 'best practice' for top performing companies.
- Managing risk is a core responsibility of management at all levels and is a key component of governance and compliance.
- Arqiva aims to embed risk management principles into the culture of the organisation.

Enterprise wide management of risk is important for Arqiva to meet its corporate objectives and for it to protect future competitive advantage. The strategic importance of risk management is recognised by top performing companies and is an important part of good corporate governance. Arqiva subscribes to the Enterprise Risk Management approach to managing its risk profile.

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



1 ERM refers to Enterprise Risk Management

The Managing Director of each business unit has responsibility for maintaining and updating their line of business risk register, which includes utilising the standardised approach to risk assessment and risk monitoring. The Group's centralised Audit and Risk function provides training and support to ensure risks are captured effectively and on a timely basis. Risks are formally discussed with the Chief Executive Officer as part of the existing quarterly business performance reviews highlighting the significance of the link between performance and effective risk management. The Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Senior Executive Management and Audit Committee meetings. The Senior Executive Management takes recommendations for ensuring the risk management framework remains effective going forward.

Business Unit Management:

First defence is the day to day controls and processes put in place by management to identify risks and develop mitigating actions.

Senior Executive Management:

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

Audit and Risk function / Audit committee:

Independent business assurance provided over the effectiveness of the Group's system of internal controls and processes, and the effectiveness of the risk management framework.

Principal risks and uncertainties

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

*Business units have been abbreviated as follows: Terrestrial Broadcast ('TB'), Telecoms & M2M ('T'), Satellite and Media ('SM')

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Reputational	All	Bad publicity damages Arqiva's reputation and its ability to do business as a result of: ▸ A major event or incident impacting our services; ▸ Untimely delivery on major projects; ▸ Repeated unexpected service outages; ▸ Security breach on networks; or ▸ Major network or equipment failure or obsolescence.	The Group carefully engages with its customers to ensure that project milestones are carefully managed and management regularly review the progress status of all projects. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. The Group continues to invest in its infrastructure, typically spending in excess of £150m per annum.	Arqiva has continued to achieve its target result for 'network availability' (see page 28). Arqiva has continued to meet its contractual milestones on its major contractual programmes, e.g. smart energy metering (see page 31). The Group maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety and site security.	During the year, Arqiva maintained its compliance with OHSA518001 regarding safety management.
Technological	TB, SM	Developments in alternative broadcast technologies, such as internet connected TV, which competes against the Group's DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition Arqiva has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its involvement in Freeview Play. Arqiva has been rolling out national and commercial local DAB in line with its 'New Radio Agreement' with the BBC and government targets which helps to ensure it remains at the forefront of this future technological change.	In May, digital radio listening figures passed the 50% mark expected to trigger a review in to timeframe for full analogue switchover. Arqiva has completed the roll out of its DAB network towards the end of the calendar year, and consequently remains in a strong position to support a future switch over. During the year, Arqiva has invested in new virtualised capabilities within its Satellite and Media business.

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Political	T, TB	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes. The uncertainty over a deal for Britain's exit from the European Union heightens the uncertainty over future policy and economic conditions.	Arqiva maintains regular dialogue with its stakeholders to ensure the delivery of its programmes are efficient , timely and to specification. Where specification changes occur Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of those costs through mechanisms in its contracts. Arqiva's assets and operations are predominantly in the UK and therefore its business has minimal exposure to the changing relationships with international markets. Additionally we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope change requests on its smart energy metering programme with its customer demonstrating the customer's continued focus on network roll out.
Operational	All	Information, networks and systems, or communications infrastructure may be subjected to cyber security threats leading to a loss or corruption of data and/or impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	The Group maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Group's approach to disaster recovery and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass its quarterly security reviews and has consequently retained its ISO certification.
	TB, T	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of its major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customer to ensure that these requirements are sufficiently available.	Arqiva has continued to meet its contractual milestones on its major contractual programmes, e.g. smart energy metering and 700MHz Clearance (see page 17).
	All	Customer relationships, operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of its people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for its leadership team. Additionally the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention.
Demand	T	The level of demand for wireless communications and impact on demand for access to the Group's towers.	The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand.	Arqiva is continuing to support the MNOs in focussing on products essential to their strategy. Arqiva has seen significant improvements in customer engagement in the year demonstrating delivery and service excellence to retain status of being a trusted and preferred supplier.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 51.		

Directors' report

The Directors of Arqiva Group Limited ('AGL'), registered company number 05254001, ("the Company") and its subsidiaries ("the Group") submit the annual report and audited consolidated financial statements ("financial statements") in respect of the year ended 30 June 2018.

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

The Directors' report for the Company is set out on page 123.

Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 47). As a result of these, as well as the on-going business activities and strategy of the Group,

Arqiva is exposed to a variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

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

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants, however the Group has elected not to apply hedge accounting. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate 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.
Financing risk	The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date. With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Group is exposed to credit risk on customer receivables.	This is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectible debts.
	The Group is exposed to counterparty risks in its financing operations.	The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2018 the Group had £10.3m cash (and £28.5m in reserve to cover one semi-annual interest payment on the junior bonds) and £335.0m available undrawn facilities to meet planned growth and working capital requirements. In addition, the Group has £250.0m of liquidity facilities available to cover senior interest payments if required. The Board consider the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Purchase price risk	Energy is a major component of the Group's cost base and is subject to price volatility.	A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated private placement notes. Details of the cross currency swaps are provided in note 25.

Directors' report

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 47).

Audit and Risk Committee

The Audit and Risk Committee is chaired by Paul Dollman, an independent non-executive director, and includes representation from the Board of Directors. The Audit Committee monitors the integrity of the Group's financial statements and the effectiveness of the external audit process. It has the responsibility for ensuring that an appropriate relationship exists between the Group and the external 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 finding and recommendations to it.

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

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditor, the Chief Executive Officer, the Chief Financial Officer and representatives from the business as required.

Later this year the Board plan to rotate the role of Chairman of the Audit and Risk Committee. Frank Dangeard will be joining Arqiva as an independent non-executive director and he will, after a period of handover, become Chairman of the Committee.

During his executive career in the telecom, media and technology sector, Frank Dangeard has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. Prior to that, he was Chairman of SG Warburg France and a Managing Director of SG Warburg. He is a member of the boards of Symantec (US), RPX (US) and the RBS Group (UK). Previously he served on the boards of Crédit Agricole CIB, Home Credit, Electricité de France, Orange, SonaeCom and as Deputy Chairman of Telenor. A graduate from Ecole des Hautes Etudes Commerciales (Prix Jouy-Entreprise), the Paris Institut d'Etudes Politiques (Lauréat) and the Harvard Law School (HLS Fellow, Fulbright Scholar).

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.

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 auditors. The Committee makes an assessment of the auditors' independence and objectivity taking into account the relationship with the auditor as a whole, including the provision of any non-audit services.

PricewaterhouseCoopers LLP were re-appointed as external auditors in 2016 following a competitive tender process.

The auditors have provided certain non-audit services, principally in relation to transaction support services, non-audit assurance and tax compliance. The Audit Committee discusses all non-audit services with the auditors in advance of commencement of work to confirm acceptability and ensures that appropriate safeguards of audit independence are established and applied.

Remuneration Committee

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

Nomination Committee

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

Operational Resilience Committee

The Operational Resilience Committee, chaired by Mike Parton, has oversight of the adequacy and effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health

Directors report

and environment ('SHE') matters affecting the activities of the Group). This includes consideration and risk management of areas of significant and individual cyber security, physical security, business continuity and SHE risk.

Equal opportunities policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability. Further information on how Arqiva supports its employees can be found on page 36.

Political donations

No political donations were made during the year (2017: 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. The research costs expensed in the year were £4.3m (2017: £2.9m). 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 £2.7m (2017: £2.7m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within property, plant and equipment. The Group's capital expenditure in the year was £174.4m (2017: £177.0m) and includes capitalised labour of £51.5m (2017: £56.7m). Other development costs would be capitalised within intangible assets. In the year, development costs capitalised total £5.6m (2017: £5.9m), with amortisation of £2.8m (2017: £2.1m) charged against such capitalised development costs.

Overseas branches

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

Events after the reporting date

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

Dividends and transfers to reserves

The Company has declared no dividends in the year (2017: none). Group companies which include a non-controlling interest, Now Digital (East Midlands) Limited and South West Digital Radio Limited, declared dividends in the year of £0.3m and £0.1m respectively (2017: none declared). The consolidated profit for the year of £283.3m (2017: loss of £196.9m) was transferred to reserves.

Going Concern

The Strategic report includes information on the structure of the business, our business environment, financial review for the year and uncertainties facing the Group. Notes 21,23 and 25 of the consolidated financial statements include information on the group's cash, borrowings and derivatives; and financial risk management information presented within this report.

The directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements, including repayment of borrowings, 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.

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 13.

Ownership and Directors

A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 43.

At 30 June 2018, Mike Parton was the Group's independent Chairman. Jeremy Mavor is the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 43.

Details of the statutory directors of the Company are shown on page 124.

Directors Indemnities

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

Disclosure of information to the Independent Auditors

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

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

On behalf of the Board

Paul Dollman
Director
6 September 2018

Statement of Directors' responsibilities

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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


arqiva

Financial Statements

Group financial statements

Company financial statements

Independent Auditors' report to the Members of Arqiva Broadcast Parent Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Broadcast Parent Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the Group and Company financial statements (together the 'financial statements'), included within the Annual Report, which comprise: the Consolidated statement of financial position and the Company statement of financial position as at 30 June 2018; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

- Overall Group materiality: £16.5m (2017: £15.5m) – Group financial statements.
- Based on 5% of profit before interest, tax, exceptional items and other gains and losses.
- Overall Company materiality: £44.4m (2017: £43.4m) – Company financial statements
- Based on 1% of total assets.

- For the Group financial statements we performed an audit of the complete financial information of 8 reporting units.
- The audit work performed gave us coverage of 91% of revenue and 97% of profit before interest, tax, other gains and losses and exceptional items.
- All entities have been audited by the Group team and hence no component auditor has been involved in the audit of the consolidated financial statements.

- Revenue and profit recognition on complex contracts (Group).
- Accruals and provisions, including amounts relating to infrastructure and bonuses and decommissioning of sites (Group).
- Valuation of financial instruments (Group).
- Classification of exceptional items (Group).
- Impairment of intangible assets and goodwill (Group) and investments in subsidiaries (Company only).
- Recognition of deferred tax asset (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition on complex contracts (Group) Refer to page 74, page 81 and page 84 (note 3- significant accounting policies – revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty – revenue recognition and note 5 – revenue and segmental information). The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include smart metering contracts, contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining the separate deliverables, the related revenue and costs to complete and therefore the margin to be recognised.	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2018 and for all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the separate contract elements were separately identified and performed testing over the amounts of revenue allocated to each element to ensure this was appropriate. We assessed the revenue profit margins for consistency with contract costs by considering the costs incurred to date and forecast for the relevant deliverable. We also compared this to the consistency of past and future gross margins, obtaining explanations for variations where necessary. For each element we assessed the extent of performance of deliverables that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, and assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate. Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery and validated this to the signed contract variation addendums. We assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IAS 18. Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.
Accruals and provisions (Group) Refer to page 82 and page 113 (note 4- critical accounting judgements and key sources of estimation uncertainty – provisions and contingent liabilities and note 26 – provisions). Arqiva's business results in recognising complex accruals and provisions including those related to	On a sample basis, we tested the accounting for accruals and provisions to supporting documentation and have challenged management where judgement has been applied, to corroborate the reasonableness of assumptions made with either historic performance or alternative evidence.

Key audit matter	How our audit addressed the key audit matter
infrastructure across the extensive asset portfolio, various bonus accruals and decommissioning provisions. As there is an element of estimation involved, there is considered to be a risk that these balances may not be appropriately determined.	This included: For rent, rates and power understanding the processes for identifying and aggregating accruals and testing on a sample basis for accuracy and completeness by testing to supporting documentation; For the decommissioning provision we obtained management's calculations and assumptions and confirmed that the methodology is appropriate. We then assessed the reasonableness of the assumptions in conjunction with the asset plan, decommissioning cost estimates and actual experience, and the appropriateness of the discount rate; For bonuses we tied the assumptions included to the current year outcome and, where also relevant, to the long term plan which has been approved by the board. From our work performed, we have not identified any material differences or where the rationale for recognition of an accrual/provision was not considered appropriate.
Valuation of financial instruments (Group) Refer to page 77, page 83 and page 111 (note 3- significant accounting policies – financial instruments, note 4- critical accounting judgements and key sources of estimation uncertainty – fair value measurements and valuation processes and note 25 – derivative financial instruments). The Group holds a number of derivative financial instruments comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of those instruments using valuations provided by the counter party institutions with adjustments made by management for counter party credit risk. This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved.	We engaged PwC valuations experts to assist with the audit of the counter parties' valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. This recalculated the fair value using the internal PwC valuation model for every instrument which was then compared to the amount recognised in the financial statements. There were no material differences arising between the Group fair values of derivative financial instruments recognised and our valuations.
Classification of exceptional items (Group) Refer to page 89 (note 7 – exceptional items). Costs of £9.4m have been classified as exceptional items in the current year financial statements.	We assessed the disclosed accounting policy for compliance with accounting standards and for consistency of application. We scanned the listing of exceptional items for costs that appeared unusual to us in the context of

Key audit matter	How our audit addressed the key audit matter
One of the Group's financial reporting KPIs is EBITDA prior to exceptional items. There is a risk that some non-exceptional costs could have been incorrectly classified as exceptional costs.	the accounting policy and tested a sample of items to assess whether such items were appropriately classified. We considered our knowledge of the business, one-off transactions that have occurred during the year and results of other audit procedures to gain comfort over completeness of the exceptional items. Our testing did not identify any material misstatements in the amounts or presentation of exceptional items.
Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company only) Refer to page 82 and page 94 (note 4- critical accounting judgements and key sources of estimation uncertainty – Impairment of goodwill and note 14 –goodwill) and page 128 (note 3 – Investments). IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of all indefinite lived intangible assets, such as goodwill. The Group's intangible assets and goodwill are material, amounting to £2,039m and the impairment reviews performed over these include a number of assumptions which are subject to management judgement. The Company has significant investments in subsidiaries of £3,301m.	We obtained an understanding of the allocation of goodwill to business units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the reliability of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of intangibles and goodwill for each business unit. These included the assumptions on revenue and cost growth, capital expenditure and the discount rate used. We involved our PwC valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and confirmed this was calculated using an acceptable methodology and in line with what we would expect. We reviewed management's sensitivity analysis and performed our own sensitivity analysis considering various scenarios impacting key assumptions, including forecast cash flows, terminal growth rate and discount rates. Based on this testing, we considered whether the carrying value of these intangibles was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. For the Company's investment in subsidiaries we have compared the net assets of the subsidiary at 30 June 2018 with the carrying value of the investment. For any subsidiaries where net assets do not exceed the carrying value, for example the entities which hold the Group's debt, we have looked further down the Group hierarchy at the subsidiaries held by that entity and confirmed that, by taking into account the net assets of these, the

Key audit matter	How our audit addressed the key audit matter
	carrying value of the investment held in the Company is supported. We also considered for both the Group and Company whether there are any further indicators which would cause there to be an impairment and found that to be unlikely.
Recognition of deferred tax asset (Group) Refer to page 82 (note 4 – Critical accounting judgements and sources of estimation uncertainty – deferred tax) and page 101 (note 20 – Deferred tax). In the current year a deferred tax asset of £206.1m has been recognised following the introduction of legislation which restricts interest deductions. A further £31.8m of potential deferred tax assets have not been recognised as they are not considered to be recoverable. There are management judgements involved in the determination of the elements of the deferred tax asset to recognise and the value of that recognition, including the extent to which there are foreseeable taxable profits.	We obtained management's detailed workings which set out the various elements of the deferred tax asset and rationale as to why these should or shouldn't be recognised and assessed the appropriateness of this in conjunction with our taxation specialists. We challenged management's assumptions in relation to tax losses and the evidence available to support the recognition of losses arising in various entities including consideration of whether specific steps are required in order to enable the value of the losses to be realised and the stage of Arqiva's steps towards recovery. We obtained management's forecast of taxable profits and agreed those to the approved long term plan. The calculations of the forecast taxable profits were reviewed, and an analysis of the sensitivity of the utilisation horizon to variations in EBITDA was considered. As a result of our work performed no material differences were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2018.

*

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.
Arqiva Group Limited's business is carried out through two principal trading subsidiaries, aligned into three customer-facing business units; Terrestrial Broadcast, Telecoms & M2M and Satellite and Media, supported by the Group's corporate functions. In addition there are a number of entities which provide financing to the operations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£16.5m (2017: £15.5m).	£44.4m (2017: £43.4m).
How we determined it	5% of profit before interest, tax, exceptional items and other gains and losses.	1% of total assets.
Rationale for benchmark applied	Based on our professional judgement, profit before interest, tax, exceptional items and other gains and losses is an appropriate measure to assess the performance of the Group, and is a generally accepted auditing benchmark.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components between £1m and £15.7m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75m (Group audit) (2017: £0.5m) and £0.75m (Company audit) (2017: £0.5m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.
With respect to the Strategic Report and the Directors' Report we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June

2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
6 September 2018

Consolidated income statement

	Notes	Year ended 30 June 2018 Pre-exceptional items £m	Exceptional items £m	**Total £m**	Year ended 30 June 2017 Pre-exceptional items £m	Exceptional items £m	**Total £m**
Revenue	5	962.4	-	962.4	941.3	-	941.3
Cost of sales		(323.0)	-	(323.0)	(353.5)	-	(353.5)
Gross profit		**639.4**	-	**639.4**	**587.8**	-	**587.8**
Depreciation	16	*(163.7)*	-	*(163.7)*	*(141.6)*	-	*(141.6)*
Amortisation	15	*(16.7)*	-	*(16.7)*	*(12.6)*	-	*(12.6)*
Impairment	15,16	*(4.4)*	-	*(4.4)*	-	-	-
Other operating expenses[1]	7	*(121.8)*	*(9.5)*	*(131.3)*	*(114.4)*	*(29.5)*	*(143.9)*
Total operating expenses		(306.6)	(9.5)	(316.1)	(268.6)	(29.5)	(298.1)
Other income		4.6	-	4.6	1.1	-	1.1
Share of results of associates and joint ventures	17	0.2	-	0.2	0.3	-	0.3
Operating profit	6,7	**337.6**	(9.5)	**328.1**	**320.6**	(29.5)	**291.1**
Finance income	9	2.0	-	2.0	3.7	-	3.7
Finance costs	10	(367.0)	-	(367.0)	(358.5)	-	(358.5)
Other gains and losses[1]	7,11	92.3	0.1	92.4	(112.5)	(20.6)	(133.1)
Profit/(loss) before tax		**64.9**	(9.4)	**55.5**	**(146.7)**	(50.1)	**(196.8)**
Tax	12			227.8			(0.1)
Profit/(loss) for the year				**283.3**			**(196.9)**
Attributable to:							
Owners of the Company				282.9			(197.1)
Non-controlling interests				0.4			0.2
				283.3			**(196.9)**

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

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

Consolidated statement of comprehensive income

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit/(loss) for the year		**283.3**	**(196.9)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	30	10.8	(0.5)
Movement on deferred tax relating to pension schemes		(1.8)	-
		9.0	**(0.5)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		0.2	(0.5)
Total other comprehensive income/(expense)		**9.2**	**(1.0)**
Total comprehensive income/(expense)		**292.5**	**(197.9)**
Attributable to:			
Owners of the Company		292.1	(198.1)
Non-controlling interests		0.4	0.2
		292.5	**(197.9)**

Consolidated statement of financial position

	Note	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Goodwill	14	1,980.6	1,980.6
Other intangible assets	15	59.0	48.9
Property, plant and equipment	16	1,750.2	1,770.2
Deferred tax	20	206.1	-
Retirement benefits	30	20.6	7.1
Interest in associates and joint ventures	17	0.1	5.1
		4,016.6	**3,811.9**
Current assets			
Trade and other receivables	18	288.3	289.9
Cash and cash equivalents	21	38.8	35.6
		327.1	**325.5**
Total assets		**4,343.7**	**4,137.4**
Current liabilities			
Trade and other payables	22	(1,457.6)	(1,390.8)
Borrowings	23	(151.9)	(113.7)
Provisions	26	(2.8)	(18.8)
		(1,612.3)	**(1,523.3)**
Net current liabilities		**(1,285.2)**	**(1,197.8)**
Non-current liabilities			
Other payables (including deferred revenue)	22	(276.5)	(159.4)
Borrowings	23	(2,866.8)	(3,017.9)
Derivative financial instruments	25	(1,030.8)	(1,179.7)
Provisions	26	(64.8)	(57.0)
		(4,238.9)	**(4,414.0)**
Total liabilities		**(5,851.2)**	**(5,937.3)**
Net liabilities		**(1,507.5)**	**(1,799.9)**
Equity			
Share capital		0.1	0.1
Accumulated losses		(1,437.2)	(1,729.1)
Merger reserve		(188.5)	(188.5)
Capital contribution reserve		120.3	120.3
Translation reserve		(3.1)	(3.3)
Total equity attributable to owners of the Parent		(1,508.4)	(1,800.5)
Non-controlling interest		0.9	0.6
Total equity		**(1,507.5)**	**(1,799.9)**

These financial statements on pages 66 to 123 were approved by the Board of Directors and authorised for issue on 6 September 2018. They were signed on its behalf by:

Paul Dollman – Director

Consolidated statement of changes in equity

	Note	Share capital* £m	Accumulated losses £m	Merger reserve £m	Capital contribution reserve £m	Translation reserve £m	Total Equity attributable to owners of the Parent £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2016		**0.1**	**(1,531.5)**	**(188.5)**	**120.3**	**(2.8)**	**(1,602.4)**	**0.4**	**(1,602.0)**
(Loss)/profit for the year		-	(197.1)	-	-	-	(197.1)	0.2	(196.9)
Other comprehensive losses		-	(0.5)	-	-	(0.5)	(1.0)	-	(1.0)
Total comprehensive (loss)/profit		-	(197.6)	-	-	(0.5)	(198.1)	0.2	(197.9)
Balance at 30 June 2017		**0.1**	**(1,729.1)**	**(188.5)**	**120.3**	**(3.3)**	**(1,800.5)**	**0.6**	**(1,799.9)**
Profit for the year		-	282.9	-	-	-	282.9	0.4	283.3
Other comprehensive income		-	9.0	-	-	0.2	9.2	-	9.2
Total comprehensive income		-	291.9	-	-	0.2	292.1	0.4	292.5
Dividends paid	13	-	-	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2018		**0.1**	**(1,437.2)**	**(188.5)**	**120.3**	**(3.1)**	**(1,508.4)**	**0.9**	**(1,507.5)**

*Comprises 100,002 (2017:100,002) authorised, issued and fully paid ordinary shares of £1 each.

Consolidated cash flow statement

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net cash inflow from operating activities	27	**572.1**	**489.7**
Investing activities			
Interest received		1.8	0.7
Purchase of tangible assets	5	(161.4)	(151.0)
Purchase of intangible assets	5	(3.7)	(10.3)
Interest element of finance lease rentals		(1.0)	(1.0)
Sale of tangible assets		0.3	-
Proceeds on disposal of investments		5.2	-
Loans to joint ventures		0.6	-
Sale of subsidiary undertakings		-	23.2
		(158.2)	**(138.4)**
Financing activities			
Raising of external borrowings	23	-	554.5
Repayment of external borrowings	23	(124.3)	(573.5)
Repayment of finance lease capital	23	(0.4)	(0.4)
Movement in borrowings		(124.7)	(19.4)
Interest paid		(227.4)	(236.9)
Cash settlement of principal accretion on inflation-linked swaps	25	(58.6)	(53.4)
Debt issue costs and facility arrangement fees		-	(12.5)
Cash outflow on close out of swap arrangements		-	(36.0)
Proceeds on disposal of swap options		-	3.2
		(410.7)	**(355.0)**
Increase/(decrease) in cash and cash equivalents		**3.2**	**(3.7)**
Cash and cash equivalents at the beginning of the financial year		35.6	39.3
Cash and cash equivalents at end of year	21	**38.8**	**35.6**

Notes to the Group financial statements

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

Arqiva Broadcast Parent Limited ('ABPL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 08085823. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2018 comprise the Company and its subsidiaries (together the "Group").

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

Statement of Compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 124 to 131.

2 Adoption of new and revised Standards

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

Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses
Annual improvements 2014-2016 cycle	Includes amendments to IFRS 12
Amendments to IAS 7	Disclosure initiatives relating to cash flow statements

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
IFRS 9	Financial instruments (2014)	1 January 2018	30 June 2019
IFRS 15	Revenue from contracts with customers	1 January 2018	30 June 2019
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018	30 June 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019	30 June 2020
IFRS 16	Leases	1 January 2019	30 June 2020
Annual improvements 2014-2016 cycle	Amendments to IFRS 1 and IAS 28	1 January 2018	30 June 2019

Impact Assessment of new Standards

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will be effective for the Group for the year ended 30 June 2019. The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and debt modifications and a new impairment model for financial assets.

The majority of the Groups assets and liabilities are currently classified at fair value through profit or loss or amortised cost and hence there is no expected change to the accounting treatment of these instruments.
The changes to debt modifications will result in any changes to debt that do not result in the full extinguishment of the instrument needing to be fair valued based on the effective interest rate of the new instrument and a gain or loss to the carrying value recognised in other gains and losses. Management have performed an impact assessment of previous debt refinancing for retrospective application of the standard and do not expect these changes to have a material impact on the financial statements.

The new impairment model under IFRS 9, requires the recognition of impairment provisions against financial assets based on an expected credit loss model rather than incurred credit losses as required under the current standard. Based on the impact assessments undertaken by the Group to date, there is not currently expected to be a material impact on the loss allowance recognised by the Group. The new standard will also introduce additional disclosure requirements for the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for periods beginning from 1 January 2018 and is mandatory for the Group to adopt the standard for its year ended 30 June 2019. Comparative information in the 30 June 2019 financial statements will be restated to appropriately present the new standards and impact on initial recognition will be recognised through retained earnings. The new standard provides a more prescriptive framework toward revenue recognition and centres around five key revenue recognition steps:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocation of the contract price to the performance obligations; and

5. Recognise revenue as the performance obligations are satisfied.

Whilst these concepts are not new, the standard includes several clarifications to the interpretations of existing standards, focussing on the transfer of control of goods and services rather than the transfer of risks and rewards. Management have performed an impact assessment on the adoption of IFRS 15. The expected impact to the financials is based on performance criteria of specific contracts and the timing of revenue recognition. The impact assessment on the financial statements includes a £10.8m reduction in retained earnings on transition, with an immaterial change in annual revenues. IFRS 15 also includes additional disclosure requirements for the annual financial statements, both qualitative and quantitative in nature.

IFRS 16 Leases

IFRS 16 Leases, is effective for financial periods beginning on or after 1 January 2019 and therefore is expected to have a material impact on the financial statements of the Group for the year ending 30 June 2020. This is primarily through the recognition of the Group's operating leases on the balance sheet and reclassification of costs in the income statement leading to an increase in EBITDA.

Further details of the Group's operating lease commitments are shown in note 28. It is not practicable to provide a reasonable estimate of the effect of this standard until a more detailed review has been completed. A more detailed impact assessment is expected to be provided in the Group financial statements for the year ended 30 June 2019.

3 Significant accounting policies

Basis of preparation

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

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies applying IFRS and in accordance with IFRS Interpretations Committee interpretations.

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

The Company's financial statements have been prepared under FRS 101 and are included in this report – see page 124.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2018.

Control is achieved when the Company:

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

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

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

Intra-group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Going concern

Historically the Group has reported losses and had a significant net liability position on the Statement of Financial Position, caused primarily by ongoing financing costs. However, the Group has continued to generate cashflows over and above the financing costs.

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 28. In addition, forecast covenant compliance remains strong. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Segmental reporting

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

Revenue recognition

Revenue represents the gross inflow of economic benefit for services provided utilising Arqiva's communications infrastructure, completion of significant engineering projects and the sale of communications equipment. Revenue is stated net of value added tax. Revenue is measured at the fair value of the consideration received or receivable.

Where a contractual arrangement consists of two or more elements that are separable and have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements on the basis of relative fair value and the appropriate revenue recognition criteria are applied to each element. Likewise where elements of a contract, or multiple contracts, are so intrinsically linked that it is necessary to consider the elements on a bundled basis revenue is recognised in respect of the bundled contractual obligations taken as a whole.

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

Rendering of services

Revenue from the rendering of services is recognised in line with the service provision over the contractual period. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and the associated costs can be measured reliably. Such revenues include television and radio transmission services, tower site rental to mobile network operators, installation services, in-building and small cells, network provision, media services, and machine-to-machine connectivity.

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

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

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects.

Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, are recognised based on the percentage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

A loss on a fixed price contract is recognised immediately when it becomes probable that the contract cost will exceed the total contract revenue.

Sale of communications equipment

Revenue from the sale of communications equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer, which is typically upon delivery and acceptance by the customer.

Business combinations, including goodwill

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

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

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

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

Intangible assets

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

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

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour. Labour costs are capitalised within the cost of an asset to the extent that they are directly attributable to the construction of the asset. The value capitalised captures all elements of employee benefits as defined by IAS 19.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

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

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

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

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

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

Impairment of non-financial assets
At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

Financial instruments

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

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

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

The Group's ***financial assets*** are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Contract receivables

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

Cash and cash equivalents

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

The Group's ***financial liabilities*** are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

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

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

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

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

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

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

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

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

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability.

Fair value measurement
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market

participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for leasing transactions that are within the scope of IAS 17, and measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Retirement benefits
Defined contribution schemes
For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

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

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

Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note

30) in its consolidated income statement. Curtailments gains and losses are accounted for as a past-service cost.

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

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.
A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
The Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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

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

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate.

Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the contracted rate if applicable. Any exchange differences arising are taken to the income statement. Transactions in the income statement of overseas operations are translated using an average exchange rate.

Exchange differences on translation of overseas branches are recognised through the statement of comprehensive income.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

Critical accounting judgements:

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

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

Key estimations:

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

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

The aforementioned judgements are consistently applied across similar contracts and key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase.

Deferred tax

Critical accounting judgements:

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward.

Useful lives for property, plant and equipment and intangibles

Critical accounting judgements:

The assessment of the useful economic lives of these assets requires judgement.

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

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

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

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

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

Key estimations:

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

Management exercises judgement in measuring the exposures to contingent liabilities (see note 28) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Impairment of goodwill

Critical accounting judgements:

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

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances.

Key estimations:

Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 14.

Actuarial assumptions used to determine the carrying amount of the Group's defined benefit plan liabilities

Critical accounting judgements:

The Group's defined benefit plan liabilities are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived.

The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Group selects these assumptions in consultation with an external qualified actuary.

Key estimations:

Estimates are used in determining the present value of the scheme liabilities, which depend on such factors as the life expectancy of the members, the salary progression of our current employees and price inflation.

Fair value measurements and valuation processes

Key estimations

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debit/credit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 14 and 25.

5 Revenue and segmental information

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

The following revenue was generated by the Group:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Rendering of services	858.1	846.6
Engineering projects	95.1	83.0
Sale of goods	9.2	11.7
Revenue	**962.4**	**941.3**

Segmental reporting

Information reported to the Group's Chief Operating Decision Maker ('CODM') (which is collectively the Group's Board of Directors, including the CEO and CFO) for the purposes of resource allocation and the assessment of segmental performance is focused on the three customer-facing business units, supported by central corporate functions which are non-revenue generating. The Group's reportable segments under IFRS 8 are therefore:

- Terrestrial Broadcast;
- Telecoms & M2M; and
- Satellite and Media.

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

Information regarding the nature of these business units is contained on pages 13 to 15 within the Strategic report.

Year ended 30 June 2018	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**487.6**	**341.3**	**133.5**	**-**	**962.4**
Segment result* (EBITDA)	**360.8**	**178.1**	**33.8**	**(55.2)**	**517.5**
Depreciation and amortisation					(180.4)
Other operating income excluded from measuring EBITDA					0.1
Impairment					(4.4)
Exceptional items					(9.5)
Share of results of joint ventures and associates					0.2
Other income					4.6
Operating profit					**328.1**
Finance income					2.0
Finance costs					(367.0)
Other gains and losses					92.4
Profit before tax					**55.5**

Year ended 30 June 2017	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**449.0**	**345.4**	**146.9**	**-**	**941.3**
Segment result* (EBITDA)	**329.4**	**155.1**	**35.0**	**(46.0)**	**473.5**
Depreciation and amortisation					(154.2)
Other operating expenditure excluded from measuring EBITDA					(0.1)
Exceptional items					(29.5)
Share of results of joint ventures and associates					0.3
Other income					1.1
Operating profit					**291.1**
Finance income					3.7
Finance costs					(358.5)
Other gains and losses					(133.1)
Loss before tax					**(196.8)**

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

EBITDA[1] is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to operating profit is provided below:

		Year ended 30 June 2018	Year ended 30 June 2017
		£m	£m
Operating profit		328.1	291.1
Depreciation	16	163.7	141.6
Amortisation	15	16.7	12.6
Impairment	15, 16	4.4	-
Exceptional items charged to operating profit	7	9.5	29.5
Other income		(4.6)	(1.1)
Share of results of joint ventures and associates	17	(0.2)	(0.3)
Other[2]		(0.1)	0.1
EBITDA		**517.5**	**473.5**

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

[2] Includes add-backs for certain profit or loss on disposal of other intangibles and property, plant and equipment and includes deductions for non-interest related finance costs, principally bank charges that are not considered relevant in understanding the underlying performance of the business.

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

Segmental result represents the profit earned by each segment without allocation of the reconciling items above or central administration costs including investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

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

	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other*	Consolidated
	£m	£m	£m	£m	£m
Capital expenditure:					
For the year ended 30 June 2018	73.2	48.9	10.2	32.8	**165.1**
For the year ended 30 June 2017	44.6	79.4	11.7	25.6	**161.3**

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

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £161.4m (2017: £151.0m) and intangible assets of £3.7m (2017: £10.3m) as referred to in the cash flow statement.

Geographical information

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

The following revenue was generated from external customers:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
UK	951.1	928.5
Rest of European Economic Area (EEA)	8.6	8.4
Rest of World	2.7	4.4
Revenue	**962.4**	**941.3**

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

	30 June 2018 £m	30 June 2017 £m
UK	3,786.5	3,801.3
Rest of European Economic Area (EEA)	2.6	2.7
Rest of World	0.8	0.8
	3,789.9	**3,804.8**

Information about major customers
Included in the revenues arising from Terrestrial Broadcast are revenues of £139.2m (2017: £133.9m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £163.0m (2017: £150.6m) from a major customer.

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

6 Operating profit

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net foreign exchange (gains) / losses	(0.4)	0.3
Research and development costs	4.3	2.9
Depreciation of property, plant and equipment:		
Owned assets	163.2	141.2
Assets held under finance lease	0.5	0.4
(Profit) / loss on disposal of property, plant and equipment	(0.1)	0.2
Amortisation of intangible assets	16.7	12.6
Grant income	(13.6)	(2.7)
Operating lease rentals	61.2	59.9
Employee costs (see note 8)	100.5	93.2

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2018 £m	Group Year ended 30 June 2017 £m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.3	0.3
Non-audit services		
Other assurance services	1.1	0.6
Total cost of services provided by the Group's Auditors	**1.5**	**1.0**

7 Exceptional items

The Group recognises exceptional items in accordance with IAS 1 'Presentation of Financial Statements' where material items, derived from events or transactions within the ordinary activities of the Group, require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

Profit/(loss) before tax is stated after charging:

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating expenses:			
Reorganisation and severance		(1.8)	(24.0)
Corporate finance activities		(7.7)	(5.5)
		(9.5)	(29.5)
Other gains and losses:			
(Loss) on disposal of subsidiary	29	-	(5.2)
Profit on disposal of investments	11	0.1	-
Close out of swap arrangements	11	-	(15.4)
Total exceptional items		**(9.4)**	**(50.1)**

Reorganisation and severance expenses include costs relating to delivery of the Group's FutureFit programme. This is a one-off transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. In the prior year this included one-off compensation payments to align employee Terms and Conditions.

Corporate finance activity costs relate to costs associated with the shareholder strategic review.

Loss on disposal of subsidiary relates to the disposal of Arqiva WiFi Limited, a subsidiary undertaking of the Group that operated in non-core business areas, specifically certain WiFi contracts.

Profit on disposal of investment relates to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture.

Close out of swap arrangements represents the loss crystallised on interest rate swaps at the close out date (see note 25).

The expense amounts included within exceptional items above are deductible for the purpose of taxation. The loss on disposal of subsidiary (see note 29 for further information) is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees

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

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
UK	2,049	2,060
Non-UK	39	40
Total employees	**2,088**	**2,100**

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Terrestrial Broadcast	727	674
Telecoms & M2M	480	535
Satellite and Media	376	364
Corporate functions	505	527
Total employees	**2,088**	**2,100**

Their aggregate remuneration comprised:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Wages and salaries	128.1	125.9
Social security costs	13.1	13.3
Other pension costs	10.8	10.7
Total staff costs	152.0	149.9
Own work capitalised	(51.5)	(56.7)
Income statement expense	**100.5**	**93.2**

9 Finance income

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Bank deposits	0.5	0.4
Finance lease interest receivable	0.2	0.2
Other loans and receivables	1.3	3.1
Total finance income	**2.0**	**3.7**

Other loans and receivables includes £0.2m (2017: £0.2m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Interest on bank overdrafts and loans	97.1	101.1
Other loan interest	131.7	130.3
Bank and other loan interest	228.8	231.4
Amortisation of debt issue costs	10.2	13.0
Interest on obligations under finance leases	1.0	1.0
Interest payable to other group entities	102.6	93.2
Other interest	23.6	16.9
Total interest payable	**366.2**	**355.5**
Less amounts included in the cost of qualifying assets	(3.5)	-
Unwinding of discount on provisions (see note 26)	4.3	3.0
Total finance costs	**367.0**	**358.5**

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure.

11 Other gains and losses

	Notes	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Foreign exchange gain / (loss) on financing		2.0	(8.3)
Fair value gain / (loss) on derivative financial instruments	25	90.3	(104.2)
Other gains and (losses)		**92.3**	**(112.5)**
Exceptional loss on disposal of subsidiary	7, 29	-	(5.2)
Exceptional profit on disposal of investments	7, 29	0.1	-
Exceptional close out of swap arrangements	7	-	(15.4)
Exceptional other gains and (losses)		**0.1**	**(20.6)**
Total other gains and (losses)		**92.4**	**(133.1)**

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 23).

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Group's derivative financial instruments (see note 25).

12 Tax

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
UK Corporation tax:		
- Current year	(20.1)	-
Current year overseas tax	-	0.1
Total current tax	(20.1)	0.1
Deferred tax (see note 20):		
- Origination and reversal of temporary differences	29.3	(30.6)
- Change in unrecognised deferred tax assets	(12.0)	52.8
- Recognition of deferred tax asset	(225.0)	(34.0)
- Impact of rate change	-	11.8
Total deferred tax	(207.7)	-
Total tax (credit) / charge for the year	**(227.8)**	**0.1**

UK Corporation tax is calculated at the weighted average rate of 19.0% (2017: 19.75%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The (credit) / charge for the year can be reconciled to the profit / (loss) in the income statement as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit / (loss) before tax on continuing operations	55.5	(196.8)
Tax at the UK Corporation tax rate of 19.0% (2017: 19.75%)	10.5	(38.9)
Tax effect of expenses that are not deductible in determining taxable profit	2.0	3.4
Change in unrecognised deferred tax assets	(12.0)	(34.0)
Recognition of deferred tax asset (a)	(225.0)	52.8
Impact of change in tax rate	(3.3)	16.8
Total tax (credit) / charge for the year	**(227.8)**	**0.1**

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. UK deferred tax has been valued at 17.0% (30 June 2017: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

The current tax credit in the period ended 30 June 2018 represents group relief surrendered by companies within the Arqiva Broadcast Parent Limited group of consolidated companies to other companies within the Arqiva Group Limited corporation tax group. This group relief is paid for at the UK corporation tax rate of 19%.

There is a tax charge of £1.8m (2017: £nil) in respect of the actuarial movement of £10.8m (2017: £(0.5m)) in the Consolidated Statement of Comprehensive Income.

(a) Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017.

The overall effect of these changes, is that certain previously unrecognised deferred tax assets have been recognised at 30 June 2018, as a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable. These relate primarily to financial instruments, fixed asset temporary differences and tax losses.

13 Dividends

	Year ended 30 June 2018		Year ended 30 June 2017	
	£ per share	£m	£ per share	£m
Now Digital (East Midlands) Limited	30.0	0.1	-	-
South West Digital Radio Limited	4.2	-	-	-
Total dividends payable to minority interests		**0.1**		**-**

The above amounts represent dividends declared but not paid to non-controlling interest shareholders by Group companies. No dividends were paid to ABPL shareholders.

14 Goodwill

	£m
Cost:	
At 1 July 2016	1,987.8
Disposals	(6.8)
At 30 June 2017 and 30 June 2018	**1,981.0**
Accumulated impairment losses:	
At 1 July 2016	0.4
At 30 June 2017 and 30 June 2018	**0.4**
Carrying amount:	
At 30 June 2018	**1,980.6**
At 30 June 2017	1,980.6

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The CGUs that have associated goodwill are Terrestrial Broadcast, Telecoms & M2M and Satellite & Media. These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

The Group disposed of £6.8m of goodwill in relation to its investment in Arqiva WiFi Limited which was disposed of by the Group on 1 November 2016. See note 29 for further information.

The carrying value of goodwill as at the balance sheet date by the principal CGUs is shown as follows:

	30 June 2018 £m	30 June 2017 £m
Terrestrial Broadcast	1,236.1	1,236.1
Telecoms & M2M	640.4	640.4
Satellite and Media	104.1	104.1
Total	**1,980.6**	**1,980.6**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations ('VIU'). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Projected cash flows and the 'recoverable amount'

The value in use of each CGU is determined from the cash flow forecasts derived from the most recent financial forecasts approved by the Board for the next five years. They reflect management's expectations of revenue, EBITDA growth, capital expenditure and working capital based on past experience and future expectations of performance.

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.0% (2017: 8.0%).

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the markets in which the CGU operates (2018: 1.4%; 2017: 1.8%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

There is significant headroom in all CGUs. No reasonably possible change in the key assumptions would cause the carrying amount of the goodwill by CGU to exceed the recoverable amount based upon the VIU.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2016	7.5	8.7	22.9	69.9	109.0
Additions	8.0	2.2	-	0.1	10.3
Transfers from AUC (note 16)	-	3.7	-	9.7	13.4
Disposals	(0.4)	(1.0)	(7.5)	(2.1)	(11.0)
At 30 June 2017	15.1	13.6	15.4	77.6	121.7
Additions	0.4	3.1	-	0.2	3.7
Transfers from AUC (note 16)	-	2.5	-	21.4	23.9
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	**15.5**	**18.7**	**15.4**	**98.3**	**147.9**
Accumulated amortisation					
At 1 July 2016	4.3	1.3	18.9	40.4	64.9
Amortisation	0.5	2.6	0.3	9.2	12.6
Disposals	(0.3)	(0.4)	(3.8)	(0.2)	(4.7)
At 30 June 2017	4.5	3.5	15.4	49.4	72.8
Amortisation	1.3	2.6	-	12.8	16.7
Impairment	-	0.2	-	0.6	0.8
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	**5.8**	**5.8**	**15.4**	**61.9**	**88.9**
Carrying amount					
At 30 June 2018	**9.7**	**12.9**	**-**	**36.4**	**59.0**
At 30 June 2017	10.6	10.1	-	28.2	48.9

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched.

Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2016	328.2	146.5	1,920.3	100.0	2,495.0
Additions	-	0.2	11.8	154.7	166.7
Completion of AUC	5.7	2.2	144.0	(151.9)	-
Transfers to other intangibles (note 15)	-	-	-	(13.4)	(13.4)
Reclassifications	3.8	7.3	(11.1)	-	-
Disposals	(0.3)	(2.7)	(41.7)	-	(44.7)
At 30 June 2017	337.4	153.5	2,023.3	89.4	2,603.6
Additions	-	-	20.9	150.8	171.7
Completion of AUC	1.4	0.9	104.9	(107.2)	-
Transfers to other intangibles (note 15)	-	-	-	(23.9)	(23.9)
Reclassifications	(0.2)	-	-	0.2	-
Disposals	(0.7)	(1.8)	(49.1)	-	(51.6)
At 30 June 2018	337.9	152.6	2,100.0	109.3	2,699.8
Accumulated depreciation					
At 1 July 2016	27.4	49.0	649.8	-	726.2
Depreciation	7.3	4.8	129.5	-	141.6
Reclassifications	1.7	4.8	(6.5)	-	-
Disposals	(0.2)	(2.0)	(32.2)	-	(34.4)
At 30 June 2017	36.2	56.6	740.6	-	833.4
Depreciation	6.5	4.8	152.4	-	163.7
Impairment	-	-	3.6	-	3.6
Disposals	(0.3)	(1.8)	(49.0)	-	(51.1)
At 30 June 2018	42.4	59.6	847.6	-	949.6
Carrying amount					
At 30 June 2018	**295.6**	**93.0**	**1,252.4**	**109.2**	**1,750.2**
At 30 June 2017	301.2	96.9	1,282.7	89.4	1,770.2

Freehold land included above but not depreciated amounts to £179.4m (2017: £180.0m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.9m (2017: £5.8m) included within leasehold buildings.

During the year, £3.5m (2017: £nil) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £17.0m (2017: £14.8m).

At 30 June 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £47.8m (2017: £49.1m) – see note 28 for further details.

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £48.6m (2017: £30.9m) and accumulated depreciation of £10.0m (2017: £6.1m). Fair value was determined using observable inputs (fair value hierarchy level 2).

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 129) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

Share of results of associates and joint ventures was £0.2m (2017: £0.3m) for the year with the interest in associates and joint ventures being £0.1m (2017: £5.1m).

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited. Consideration received was £5.2m resulting in a £0.1m profit on disposal recognised in other gains and losses as an exceptional item.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5% (disposed of 26 October 2017)

There are no other associates or joint ventures that are considered material, either individually or in aggregate, to the Group's position or performance.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Transactions with associates and joint ventures in the year are disclosed in note 31.

18 Trade and other receivables

	30 June 2018 £m	30 June 2017 £m
Trade receivables	100.4	102.5
Amounts receivable from other group entities	44.7	42.7
Loans receivable from joint ventures	-	0.6
Other receivables	7.9	5.6
Prepayments	69.5	64.6
Accrued income	63.8	71.7
Amounts receivable from finance lease arrangements (see note 19)	2.0	2.2
	288.3	**289.9**

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2018 £m	30 June 2017 £m
Up to 30 days overdue	14.7	19.1
Up to 90 days overdue	4.9	3.3
Between 91 and 150 days overdue	0.5	-
More than 150 days overdue	0.1	0.9
	20.2	**23.3**

Other than trade receivables set out above, no other receivables are past due or impaired.

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Allowance at 1 July	10.8	9.5
Amounts utilised	(4.0)	(0.8)
Provided during the year	0.6	2.1
Allowance at 30 June	**7.4**	**10.8**

The Group's policy is to recommend providing for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality. For further information on how the Group manages credit risk see note 25.

19 Finance lease receivables

	30 June 2018 £m	30 June 2017 £m
Gross amounts receivable under finance leases:		
Within one year	0.5	0.4
In the second to fifth years inclusive	1.7	1.9
After five years	0.5	0.8
	2.7	3.1
Less: unearned finance income	(0.7)	(0.9)
Present value of minimum lease payments receivable	**2.0**	**2.2**
Net amounts receivable under finance leases:		
Within one year	0.3	0.2
In the second to fifth years inclusive	1.3	1.3
After five years	0.4	0.7
Present value of minimum lease payments receivable	**2.0**	**2.2**
Analysed as:		
Non-current finance lease receivables	1.7	2.0
Current finance lease receivables	0.3	0.2
Total finance leases	**2.0**	**2.2**

The Group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 5.8 years at 30 June 2018 (2017: 6.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2018 is £206.1m (2017: £nil). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses	Accelerated tax depreciation	Derivative financial instruments	Other temporary differences	Total
	£m	£m	£m	£m	£m
At 1 July 2016	-	13.9	-	-	13.9
Charged to the income statement	-	(13.9)	-	-	(13.9)
At 30 June 2017	-	-	-	-	-
Credited to the income statement	15.8	32.4	152.5	8.9	209.6
At 30 June 2018	**15.8**	**32.4**	**152.5**	**8.9**	**209.6**

Deferred tax liabilities	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m
At 1 July 2016	-	(13.9)	(13.9)
Credited to the income statement	-	13.9	13.9
At 30 June 2017	-	-	-
Charged to the income statement	1.7	-	1.7
Charged to the statement of comprehensive income	1.8	-	1.8
At 30 June 2018	**3.5**	**-**	**3.5**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. The Group has an unrecognised deferred tax asset of £31.8m (2017: £255.3m). This is in respect of tax losses of £31.8m (2017: £50.8m), derivative financial instruments of £nil (2017: £166.3m) fixed asset temporary differences of £nil (2017: £38.1m) and other temporary differences of £nil (2017: £0.2m). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 17.0% (2017: 17.0%); the rate substantively enacted at the balance sheet date effective from 1 April 2020, which is the rate at which the deferred tax balances are forecast to unwind.

No deferred tax liability is recognised on temporary differences of £nil (2017: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017.

Due to the impact of these changes, significant previously unrecognised deferred tax assets were assessed as being recoverable during the period ended 30 June 2018. This is a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable.

A net deferred tax asset of £206.1m has therefore been recognised within these financial statements as at 30 June 2018. This asset relates primarily to financial instruments, fixed asset temporary differences and tax losses.

There remains an unrecognised deferred tax asset of £31.8m. This asset has not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group. The forecasts used for deferred tax asset recognition are the same as those used in the Group's impairment testing. It is not considered probable that the remaining unrecognised deferred tax asset can be utilised by the Group in the foreseeable future. The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

21 Cash and cash equivalents

	30 June 2018	30 June 2017
	£m	£m
Cash at bank	6.2	7.1
Short term deposits	4.1	-
Restricted cash	28.5	28.5
Total cash and cash equivalents	**38.8**	**35.6**

The restricted cash balance relates to a reserve account required to cover one semi-annual interest payment on the £600.0m of junior bonds maturing in 2020.

22 Trade and other payables

	30 June 2018	30 June 2017
	£m	£m
Current		
Trade payables	61.4	49.4
Amounts payable to other group entities	1,079.2	993.8
Taxation and social security	23.5	22.9
Other payables	18.1	7.8
Accruals	102.4	106.3
Deferred revenue	173.0	210.6
Total current trade and other payables	**1,457.6**	**1,390.8**
Non-current		
Deferred revenue	276.5	159.4
Total non-current trade and other payables	**276.5**	**159.4**

23 Borrowings

	Denominated currency	30 June 2018	30 June 2017
		£m	£m
Within current liabilities:			
Finance lease obligations (see note 24)	Sterling	0.7	0.4
Bank facility	Sterling	55.0	86.0
Senior bonds and notes (amortising)	Sterling	58.1	13.3
	US Dollar	19.1	-
Accrued interest on junior and senior financing[1]	Sterling	19.0	14.0
Borrowings due within one year		**151.9**	**113.7**
Within non-current liabilities:			
Bank loans		**441.7**	**519.2**
- Senior debt	Sterling	445.0	525.0
- Issue costs	Sterling	(3.3)	(5.8)
Other loans		**2,367.5**	**2,440.9**
- Senior bonds, notes and private placements	Sterling	1,524.1	1,582.2
	US Dollar	253.8	275.1
- Junior bonds	Sterling	600.0	600.0
- Issue costs	Sterling	(10.4)	(16.4)
Amounts payable to other group entities	Sterling	**45.2**	**45.2**
Finance lease obligations (see note 24)	Sterling	**12.4**	**12.6**
Borrowings due after more than one year		**2,866.8**	**3,017.9**
Analysis of total borrowings by currency:			
Sterling		2,745.8	2,856.5
US Dollar		272.9	275.1
Total borrowings		**3,018.7**	**3,131.6**

[1] The balance at 30 June 2018 includes £7.3m (2017: £1.3m) interest receivable under swap arrangements associated with the underlying financing.

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £989.1m (2017: £1,020.4m) whilst their carrying value was £900.7m (2017: £914.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £464.4m (2017: £476.0m) whilst their carrying value was £435.9m (2017: £438.1m).

The remaining £518.5m (2017: £518.5m) of senior debt relates to other unquoted borrowings.

The fair value of the quoted junior bonds based upon observable market prices (fair value hierarchy level 1) was £627.7m (2017: £640.4m) whilst their carrying value was £600.0m (2017: £600.0m).

The directors consider the fair value of all other un-quoted borrowings to be a close approximate to their carrying amount.

The weighted average interest rate of borrowings is 7.89% (2017: 7.94%).

An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	30 June 2018 £m	30 June 2017 £m
Borrowings falling due within:		
One year	132.9	99.7
One to five years	1,498.7	1,522.7
More than five years	1,381.8	1,517.4
Total	**3,013.4**	**3,139.8**

Bank loans form part of the Group's **senior debt**. **Other loans** comprise the Group's **senior bonds and notes** and **junior bonds**. A summary of the movement in borrowings during the financial year is given below:

Borrowings:	At 1 July 2017 £m	New finance leases £m	Amounts repaid £m	Revaluations £m	At 30 June 2018 £m
Bank loans – working capital facility	86.0	-	(31.0)	-	55.0
Bank loans – capital expenditure facility	-	-	-	-	-
Senior debt – term loan facility	-	-	-	-	-
Senior debt – institutional term loan	180.0	-	-	-	180.0
Senior debt – European Investment Bank	190.0	-	-	-	190.0
Senior debt – bank term loan	155.0	-	(80.0)	-	75.0
Senior bonds, notes and US private placement	1,870.6	-	(13.3)	(2.2)	1,855.1
Junior bonds	600.0	-	-	-	600.0
Total bank loans and private placements	**3,081.6**	**-**	**(124.3)**	**(2.2)**	**2,955.1**
Finance lease obligations	13.0	0.5	(0.4)	-	13.1
Amounts payable to other group entities	45.2	-	-	-	45.2
Total borrowings	**3,139.8**	**0.5**	**(124.7)**	**(2.2)**	**3,013.4**

Senior debt includes a bank term loan (£75.0m outstanding) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan (£180.0m outstanding) with an expected maturity date of December 2023; a loan from the European Investment Bank (£190.0m outstanding) with an expected maturity date of June 2024 and capital expenditure and working capital facilities (£55.0m outstanding) with an expected maturity date of March 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £585.0m (2017: £554.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

Senior bonds and notes include a combination of publicly listed bonds and US private placement notes.

As at 30 June 2018, the Group has £900.7m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2018 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £518.5m of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2018 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has issued £398.5m of fixed rate US private placements in sterling and US dollar denominated notes. These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

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

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2018 £m	30 June 2017 £m
Within one year	1.7	1.4
In more than one year, but not more than five years	6.5	6.0
After five years	11.7	13.3
Total gross payments	**19.9**	**20.7**
Less finance charges included above	(6.8)	(7.7)
Total obligations under finance leases	**13.1**	**13.0**
Analysed as:		
Net amounts due for settlement within one year	0.7	0.4
Net amounts due for settlement after one year	12.4	12.6
Total obligations under finance leases	**13.1**	**13.0**

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Financial instruments and risk management

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (as set out in note 27; see note 21 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

Levels of debt are maintained on an ongoing basis to ensure that no breaches occur and repayments can be and are made as necessary with refinancings carried out as required.

Significant accounting policies
Details of significant accounting policies and methods adopted (including criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in full in note 3.

The Group's derivatives (i.e. interest rate swaps and cross-currency swaps) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement within 'other gains and losses'. Net amounts paid in the year (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs.

Financial risk management
The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The treasury function reports directly into the Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- Interest rate swaps, including inflation-linked interest rate swaps to mitigate the risk of movement in interest rates;
- Cross-currency swaps to mitigate the risk of currency exposures on foreign denominated borrowings; and
- Forward foreign exchange contracts to manage exchange risks arising from transactional foreign exchange exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management
The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly US dollars ('USD') and Euro), the majority of the Group's revenue and costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

Foreign currency exchange risk can be subdivided into two components, transactional risk and translation risk:

Transactional risk: The Group's policy is to hedge material transactional currency exposures via the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group–wide basis.

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only 0.3% (2017: 0.2%) of operating profit and 0.3% (2017: 0.1%) of total assets for the Group.

The Sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged US dollar-denominated borrowings) at the year-end were as follows:

	30 June 2018 £m	30 June 2017 £m
Monetary assets:		
- US Dollar	3.7	3.3
- Euro	9.2	10.6
- Other (including SGD*)	1.0	0.8
Total	**13.9**	**14.7**
Monetary liabilities:		
- US Dollar	(0.6)	(1.1)
- Euro	(5.2)	(5.5)
- Other (including SGD*)	(0.1)	-
Total	**(5.9)**	**(6.6)**

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2017: 0.0%).

During the year cross currency swaps (nominal value USD 358.0m) were used to fix the exchange rate to $1.52/£1 in relation to US dollar-denominated senior notes (nominal value USD 358.0m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations.

After taking into account our hedging activities, management does not consider there to be a material residual exposure to exchange rates. Accordingly no sensitivity analysis has been presented.

Interest rate risk management

The Group has variable rate bank and US private placement debt and uses interest rate swaps ('IRS') and inflation-linked swaps ('ILS') to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. The Group has fixed rate hedging, split between IRS and ILS. IRS convert variable rate interest costs to fixed rate interest costs while ILS convert fixed or variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a portion of the Group's revenue contracts. These swaps are entered into on terms (including maturity) that mirror the debt instrument they hedge, and therefore act as an effective economic hedge.

As the Group uses hedging to maintain fixed interest rates on all of its material borrowings (excluding revolving facilities), there is minimal exposure on the interest expense to interest rate movements. A rise or fall in interest rates would therefore not materially impact the interest expense payable by the Group.

Liquidity risk management

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

The Group is due to repay £1.6bn of debt in the next 5 years to 30 June 2023. Regular reviews are performed to assess headroom between interest and capital repayments against forecast cash flows, thus monitoring the liquidity risk and the Group's ability to repay the debt.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities. The amounts presented in respect of the non-derivative financial liabilities represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position. The amounts presented in respect of the Group's derivative financial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

	Amounts falling due							
30 June 2018	**Within one year**	**Between one and two years**	**Between two and five years**	**After five years**	**Total**	**Effect of discounting**	**Interest to be incurred in future periods**	**Total financial liability per statement of financial position**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade and other payables	61.6	-	-	-	61.6	-	-	**61.6**
Provisions*	3.2	1.2	3.6	169.1	177.1	(109.5)	-	**67.6**
Borrowings**	133.2	1,102.2	393.3	1,327.5	2,956.2	-	-	**2,956.2**
	198.0	**1,103.4**	**396.9**	**1,496.6**	**3,194.9**	**(109.5)**	**-**	**3,085.4**
Interest on borrowings	141.5	125.5	185.8	225.6	678.4	-	(664.4)	**14.0**
Interest rate swaps	58.1	49.1	127.0	91.1	325.3	(27.6)	-	**297.7**
Inflation linked interest rate swaps	84.4	85.9	284.1	427.4	881.8	(126.7)	-	**755.1**
Cross-currency swaps	(4.1)	(4.0)	(20.4)	(14.4)	(42.9)	20.9	-	**(22.0)**
	138.4	**131.0**	**390.7**	**504.1**	**1,164.2**	**(133.4)**	**-**	**1,030.8**
Total financial liability	**477.9**	**1,359.9**	**973.4**	**2,226.3**	**5,037.5**	**(242.9)**	**(664.4)**	**4,130.2**

*Includes an estimated £nil undiscounted cash flows maturing after 20 years.

**Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

30 June 2017	Amounts falling due Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m	Effect of discounting £m	Interest to be incurred in future periods £m	Total financial liability per statement of financial position £m
Trade and other payables	49.4	-	-	-	49.4	-	-	**49.4**
Provisions*	19.2	1.2	3.6	168.8	192.8	(117.0)	-	**75.8**
Borrowings**	99.3	51.7	1,559.7	1,370.9	3,081.6	-	-	**3,081.6**
	167.9	**52.9**	**1,563.3**	**1,539.7**	**3,323.8**	**(117.0)**	**-**	**3,206.8**
Interest on borrowings	142.8	142.3	254.2	256.9	796.2	-	(782.2)	**14.0**
Interest rate swaps	66.0	58.5	140.9	126.2	391.6	(25.7)	-	**365.9**
Inflation linked interest rate swaps	89.0	85.7	278.7	532.1	985.5	(142.5)	-	**843.0**
Cross-currency swaps	(1.8)	(4.6)	(19.7)	(23.1)	(49.2)	20.0	-	**(29.2)**
	153.2	**139.6**	**399.9**	**635.2**	**1,327.9**	**(148.2)**	**-**	**1,179.7**
Total financial liability	**463.9**	**334.8**	**2,217.4**	**2,431.8**	**5,447.9**	**(265.2)**	**(782.2)**	**4,400.5**

*Includes an estimated £nil undiscounted cash flows maturing after 20 years.
**Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

The table below outlines the additional financing facilities available to the Group:

	30 June 2018 £m	30 June 2017 £m
Secured bank facilities:		
- Amount utilised	55.0	86.0
- Amount unutilised	585.0	554.0
Total	**640.0**	**640.0**

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Credit risk management
The Group is exposed to credit risk on customer receivables, which is managed through credit-checking procedures prior to taking on new customers and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectable debts.

Financial instruments
With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the Group's financial assets and financial liabilities are recognised and measured following the loans and receivables recognition category.

The weighted average interest rate of fixed rate financial liabilities at 30 June 2018 was 6.10% (2017: 6.10%) and the weighted average period of funding was 5.0 years (2017: 5.9 years).

Within the Group's financial liabilities were borrowings of £2,999.6m (2017: £2,862.9m) (see note 23), which includes £1,038.5m (2017: £1,118.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £38.8m (2017: £35.6m) and loans and receivables of £218.8m (2017: £225.3m) as presented in notes 21 and 18 respectively.

Derivative financial instruments
The Group seeks to manage the exposures of its debt payment obligations through a combination of indexed linked, interest rate and cross currency swaps.

In conjunction with the November 2016 refinancing (see note 23), the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional value of swap options were fully closed out for cash proceeds of £3.2m and £353.2m of notional value of interest rate swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement notes which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a £15.4m exceptional loss being recognised in other gains and losses (see note 11). As part of these amendments, the mandatory break clauses were removed.

The above amendments were completed in order to comply with the covenants under its WBS platform and the Group's overall strategy to ensure that a majority of interest exposures are hedged.

At the year end, the Group held interest rate swaps with notional amounts of £976.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.96%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

The Group has also entered into index linked swaps (notional amounts of £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.906% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2018 (£58.6m; 2017: £53.4m). All of these instruments have a maturity date of April 2027 except for a notional amount of £235.0m which have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2018 is a liability of £1,030.8m (2017: £1,179.7m). This fair value is calculated using a risk-adjusted discount rate.

Following their close-out in November 2016, the Group no longer holds any swap options (2017: £nil).

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2018 £m	30 June 2017 £m
Interest rate swaps	(297.7)	(365.9)
Inflation-linked interest rate swaps	(755.1)	(843.0)
Cross-currency swaps	22.0	29.2
Total	**(1,030.8)**	**(1,179.7)**
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	106.3	(13.1)
- Attributable to changes in perceived credit risk	(16.0)	(91.1)
Close out of swap arrangements (note 7)	-	(15.4)
Total gain / (loss) recognised in the income statement	**90.3**	**(119.6)**
Cash settlement of principal accretion on inflation-linked swaps	58.6	53.4
Net cash outflow on refinancing of interest rate swaps and swap options	-	32.8
Total change in fair value	**148.9**	**(33.4)**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps, swap options and cross-currency swaps (as disclosed above) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest / inflation / exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

26 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2017	**0.8**	**53.3**	**15.6**	**4.9**	**1.2**	**75.8**
Income statement expense	-	0.4	-	-	0.3	0.7
Additions created through property, plant and equipment	-	3.5	-	-	-	3.5
Unwind of discount	-	3.7	-	0.3	-	4.0
Released	(0.8)	(0.2)	(0.8)	-	-	(1.8)
Utilised	-	-	(14.6)	-	-	(14.6)
At 30 June 2018	**-**	**60.7**	**0.2**	**5.2**	**1.5**	**67.6**

	30 June 2018	30 June 2017
	£m	£m
Analysed as:		
Current	2.8	18.8
Non-current	64.8	57.0
	67.6	**75.8**

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 18 years.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group through its FutureFit programme, the majority of which has been utilised during the current 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 one to ten years.

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

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating profit	328.1	291.1
Adjustments for:		
Depreciation of property, plant and equipment	163.7	141.6
Amortisation of intangible assets	16.7	12.6
Impairment charges	4.4	-
Loss on disposal of property, plant and equipment	0.1	0.2
Other income	(4.6)	(1.1)
Share of results of associates and joint ventures	(0.2)	(0.3)
Operating cash flows before movements in working capital	508.2	444.1
Decrease / (increase) in receivables	5.9	(4.3)
Increase in payables	70.7	36.9
(Decrease) / increase in provisions	(12.6)	13.1
Cash generated from operating activities	**572.2**	**489.8**
Taxes (paid) / refunded	(0.1)	(0.1)
Net cash from operating activities	**572.1**	**489.7**

Analysis of changes in financial liabilities:

	At 1 July 2017 £m	Changes in financing cash flows (Cash) £m	Changes in foreign exchange (Non-cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 30 June 2018 £m
Current borrowings (Note 23)	99.7	(44.7)	-	-	78.1	132.9
Non-current borrowings (Note 23)	3,031.2	(80.0)	(2.0)	-	(77.6)	2,880.5
Accrued interest on borrowings (Note 23)	14.0	(227.4)	-	-	222.4	19.0
Derivative financial instrument Liabilities (Note 25)	1,179.7	(58.6)	-	(90.3)	-	1,030.8
Total	4,324.6	(410.7)	(2.0)	(90.3)	222.9	4,063.2

The movements above do not include issue costs associated with entering the borrowing arrangements (see note 23).

28 Financial commitments and contingent liabilities

Financing commitments

Under the terms of the Group's external debt facilities, the Group has provided security over substantially all of its assets by way of a Whole Business Securitisation structure.

Capital commitments

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

	30 June 2018 £m	30 June 2017 £m
Within one year	45.4	44.3
Within two to five years	2.4	4.8
Total capital commitments	**47.8**	**49.1**

Operating leases

Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2018 £m	30 June 2017 £m
Within one year	33.9	31.6
Within two to five years	96.0	94.9
After five years	131.6	141.7
Total future minimum operating lease payments	**261.5**	**268.2**

Other annual lease commitments fall due:

	30 June 2018 £m	30 June 2017 £m
Within one year	1.1	1.8
Within two to five years	1.9	1.7
Total future minimum operating lease payments	**3.0**	**3.5**

In addition, the Group has various service supply agreements for circuits connectivity which amount to £24.0m per annum.

29 Disposal of business

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

On 1 November 2016, the Group sold its 100% interest in the ordinary share capital of Arqiva WiFi Limited, a subsidiary undertaking. The total gross consideration received was £25.2m, satisfied by cash and cash equivalents. The loss on disposal of £5.2m was recognised in other gains and losses as an exceptional item. The net cash inflow arising on the disposal, including disposal costs and cash and cash equivalents transferred was £23.2m.

	Arqiva WiFi Limited £m
Other intangibles	6.2
Property, plant and equipment	10.0
Trade and other receivables	7.4
Trade and other payables	(0.9)
Provisions	(0.8)
Other	(0.1)
Attributable goodwill* (see note 14)	6.8
Net assets disposed (before cash and cash equivalents)	28.6
Cash and cash equivalents	0.4
Net assets disposed	**29.0**
Consideration satisfied by cash and cash equivalents	25.2
Costs of disposal	(1.6)
Cash and cash equivalents transferred on disposal	(0.4)
Net cash inflow from sale of subsidiary undertakings	**23.2**
Net assets disposed (before cash and cash equivalents)	(28.6)
Consideration receivable	0.2
Loss on disposal	**(5.2)**

*Attributable goodwill has been calculated with reference to the goodwill recognised at the time of acquisition. This was allocated to Arqiva WiFi Limited based on management forecasts of performance of the companies acquired.

The loss on disposal was included within the income statement in other gains and losses as an exceptional item (see notes 11 and 7 respectively).

The trading results of the disposed components of the WiFi business which were included in the consolidated income statement up to the date of disposal were as follows:

	Year ended 30 June 2018	**Year ended 30 June 2017**
Revenue	-	7.2
Cost of sales	-	(5.3)
Operating expenses	-	(1.9)
Operating profit	-	-

30 Retirement benefits

Defined contribution scheme
Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £10.8m (2017: £10.7m). The assets of the Scheme are held outside of the Group.

An amount of £1.3m (2017: £0.7m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan
In the year to 30 June 2018, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 20 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out as at 30 June 2017 by an independent firm of consulting actuaries, and is in the final stages of approval. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2018	30 June 2017
Key assumptions		
Discount rate	2.80%	2.80%
Price inflation (RPI)	3.00%	3.10%
Life expectancy of a male / female age 60 (current pensioner)	26.6yrs / 28.6yrs	26.7yrs / 28.6yrs
Life expectancy of a male / female age 60 (future pensioner)	28.1yrs / 30.2yrs	28.3yrs / 30.3yrs
Other linked assumptions		
Price inflation (CPI)	1.90%	2.00%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.60%	3.60%
Pension increases (RPI with a maximum of 10%)	3.00%	3.10%
Salary growth	n/a	n/a

Amounts recognised in the consolidated income statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Components of defined benefit costs recognised in profit or loss	(0.2)	(0.2)
	(0.2)	**(0.2)**

The net interest item has been included within finance income (see note 9). All other items in the table above have been included in administrative expenses. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Return on Plan assets excluding Interest Income	1.8	18.7
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains / (losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
	10.8	**(0.5)**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan was as follows:

	30 June 2018 £m	30 June 2017 £m
Fair value of Plan assets	239.0	241.1
Present value of defined benefit Plan liabilities	(218.4)	(234.0)
Surplus at 30 June	**20.6**	**7.1**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Surplus at 1 July	7.1	7.4
Amount recognised in profit or loss	0.2	0.2
Amount recognised in Other Comprehensive Income	10.8	(0.5)
Company contributions	2.5	-
Surplus at 30 June	**20.6**	**7.1**

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
1 July	(234.0)	(216.0)
Contributions by employees	(0.7)	(0.2)
Interest cost	(6.4)	(6.6)
Benefits paid	13.7	8.0
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains/(losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
30 June	**(218.4)**	**(234.0)**

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
1 July	241.1	223.4
Interest income	6.6	6.8
Return on Plan assets excluding interest income	1.8	18.7
Contributions by employer	2.5	-
Contributions by employees	0.7	0.2
Benefits paid	(13.7)	(8.0)
30 June	**239.0**	**241.1**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2018 £m	30 June 2017 £m
Equity instruments	85.5	85.1
Diversified growth funds	18.8	19.3
Corporate bonds	20.0	65.4
Government bonds	112.2	70.9
Cash and equivalents	2.5	0.4
Total	**239.0**	**241.1**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the funding valuation as at 30 June 2014, Arqiva Limited agreed to pay deficit contributions of £2.5m per annum to 31 July 2018, and then payments of £3.3m per annum to July 2020. The Group anticipates that cash contributions due to the defined benefit plan for the year ending 30 June 2019 will be £5.8m. These future contributions will be determined upon approval of the funding valuation as at 30 June 2017.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2018 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of +1 year
Increase in Plan liabilities	£4.2m	£3.1m	£6.4m

The sensitivity of the 2017 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of +1 year
Increase in Plan liabilities	£5.1m	£5.2m	£7.1m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with the Group's pension scheme are disclosed in note 30. Transactions between the Group and its associates, joint ventures and entities under common influence are disclosed below.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date.

Trading transactions

During the year ended 30 June 2018 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Associates	-	-	6.6	6.6
Joint ventures	3.5	3.3	2.3	2.2
Entities under common influence	0.9	27.4	0.7	8.1
Other group entities	40.0	32.7	-	-
	44.4	**63.4**	**9.6**	**16.9**

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

As at 30 June 2018, the amount receivable from associates was £nil (2017: £0.1m) and joint ventures was £nil (2017: £0.9m). Interest received during the year from joint ventures was £nil (2017: £0.1m charged at 12% of the outstanding balance).

As at 30 June 2018, the amount receivable from entities under common influence was £nil (2017: £0.2m).

As at 30 June 2018, the amounts receivable from and payable to other group entities are disclosed in notes 18 and 22 respectively.

Remuneration of Directors and key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Short-term employee benefits	4.1	3.7
Termination benefits	1.1	-
Post-employment benefits	0.3	0.2
	5.5	**3.9**

One member of the Directors and key management personnel (2017: one) is a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 127.

32 Controlling parties

The Company's immediate parent is Arqiva Financing No. 3 Plc ('AF3'). Copies of the AF3 financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is Arqiva Group Limited ('AGL') which is the parent undertaking of the largest group to consolidate these financial statements.

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

AGL 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.

Directors' report for Arqiva Broadcast Parent Limited ('the Company')

The Directors of Arqiva Broadcast Parent Limited, registered company number 08085823, ('the Company') submit the following annual report and financial statements in respect of the year ended 30 June 2018.

Business review and principal activities

The Company acts as holding company with investments in a group of operating companies, financing companies and other holding companies ('the Group').

The Company has a result for the financial year of £nil (2017: £nil) and net assets of £3,301.6m (2017: £3,301.6m).

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company, the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 47 to 50.

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 27 and 28.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2017: nil).

Financial risk management

Due to the straightforward nature of the Company's operations, it is exposed to limited financial risks. The Group's financial risk management programme is detailed on page 47.

Future developments and going concern

It is the intention of the Company to continue to act as the Group's ultimate holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resource of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

The following held office as directors of the Company during the year and up to the date of this report:

Mike Parton
Mark Braithwaite
Paul Mullins (resigned 17 September 2017)
Christian Seymour
Peter Adams (alternate)
Damian Walsh
Nathan Luckey
Sally Davis
Deepu Chintamaneni (alternate)
Paul Dollman
Neil King
Martin Healey (appointed 23 April 2018)

Michael Giles resigned as Company Secretary on 1 January 2018.

Jeremy Mavor was appointed Company Secretary on 1 January 2018.

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.

Disclosure of information to the independent auditors

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

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

On behalf of the Board

Paul Dollman - Director
6 September 2018

Company statement of financial position

	Note	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Investments	3	3,301.7	3,301.7
Receivables	4	45.2	45.2
		3,346.9	**3,346.9**
Current assets			
Receivables	4	1,092.7	989.8
Total current assets		**1,092.7**	**989.8**
Payables	5	(1,092.8)	(989.9)
Net current liabilities		**(0.1)**	**(0.1)**
Borrowings		(45.2)	(45.2)
Net assets		**3,301.6**	**3,301.6**
Equity			
Share capital		0.1	0.1
Capital contribution reserve		3,301.5	3,301.5
Total equity		**3,301.6**	**3,301.6**

The accounting policies and notes on page 126 form part of these financial statements.

The result for the financial year for the Company was £nil (2017: £nil).

These financial statements on pages 124 to 131 were approved by the Board of Directors on 6 September 2018 and were signed on its behalf by:

Paul Dollman - Director

Company statement of changes in equity

	Share capital* £m	Capital contribution reserve £m	Total equity £m
Balance at 1 July 2016	0.1	3,301.5	3,301.6
Result for the financial year	-	-	-
Balance at 30 June 2017	**0.1**	**3,301.5**	**3,301.6**
Result for the financial year	-	-	-
Balance at 30 June 2018	**0.1**	**3,301.5**	**3,301.6**

*Comprises 100,002 (2017:100,002) authorised, issued and fully paid ordinary shares of £1 each.

Notes to the Company financial statements

1 Arqiva Broadcast Parent Limited accounting policies and other information

Basis of preparation
As used in these financial statements and associated notes, the term 'Company' refers to Arqiva Broadcast Parent Limited.

Arqiva Broadcast Parent Limited is a private company limited by shares incorporated in the United Kingdom. The registered address of the Company is Crawley Court, Winchester, Hampshire, SO21 2QA.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Broadcast Parent Limited and its subsidiaries) are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement has not been presented.

The financial statements are prepared on a going concern basis and under the historical cost convention. Accounting policies have been applied consistently throughout.

New and revised Standards and Interpretations have been adopted in the current year, a list of which can be found in note 2 of the Group financial statements. There is no material impact on the Company. The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

EU-adopted IFRS	Relevant disclosure exemptions
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 24 Related Party Disclosures	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member.

Accounting policies

Investments
Investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash and cash equivalents
Cash includes cash at bank and in hand and bank deposits repayable on demand.

Dividends
Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders.

Share capital
Ordinary shares are classified as equity.

Other information

Employees
The Company had no employees during the year (2017: none). None of the Directors (2017: none) were remunerated by the Company. Their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company except where sums are paid to third parties in respect of their services. There were no such sums paid in the year (2017: none).

Audit fees
The audit fee in respect of the Company and fees payable to PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

Critical accounting estimates and judgements
The application of these accounting policies did not require any critical judgements or any sources of estimation uncertainty.

2 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the Group are set out below:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Aggregate remuneration	0.4	0.4
Amounts due under long term incentive plans	1.0	1.0
Total remuneration	**1.4**	**1.4**

Certain of the Directors were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company and the Group except where sums are paid to third parties in respect of their services, of which there were £nil (2017: £nil) in relation to the Company. Accordingly, no remuneration in respect of these Directors is recognised in the Company.

There are no directors to whom retirement benefits accrued in respect of qualifying services (2017: none).

Highest paid director

Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Aggregate remuneration	1.3	1.3
Total remuneration	**1.3**	**1.3**

3 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
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 Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Pension Trust Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	80.0% (52.50% until 24 January 2018)
Now Digital (Oxford) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

On 24 January 2018, Now Digital Limited acquired 2000 ordinary shares from Global Radio Limited, and 750 ordinary shares from Global Radio Holdings Limited in the capital of Now Digital (East Midlands) Limited for consideration of £2, thus increasing the ownership to 80.0%.

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5% (disposed of 26 October 2017)
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

The Company held the following investments in subsidiaries:

	Total
	£m
Cost	
At 1 July 2017 and 30 June 2018	3,301.7
Provision for impairment	
At 1 July 2018 and 30 June 2018	-
Carrying value	
At 30 June 2017 and 30 June 2018	**3,301.7**

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

4 Receivables

Amounts receivable from other Group entities are unsecured and interest-free.

5 Payables

	30 June 2018	30 June 2017
	£m	£m
Amounts payable to other Group entities	1,092.8	989.9
Total	**1,092.8**	**989.9**

The Company has no payables falling due after more than one year.

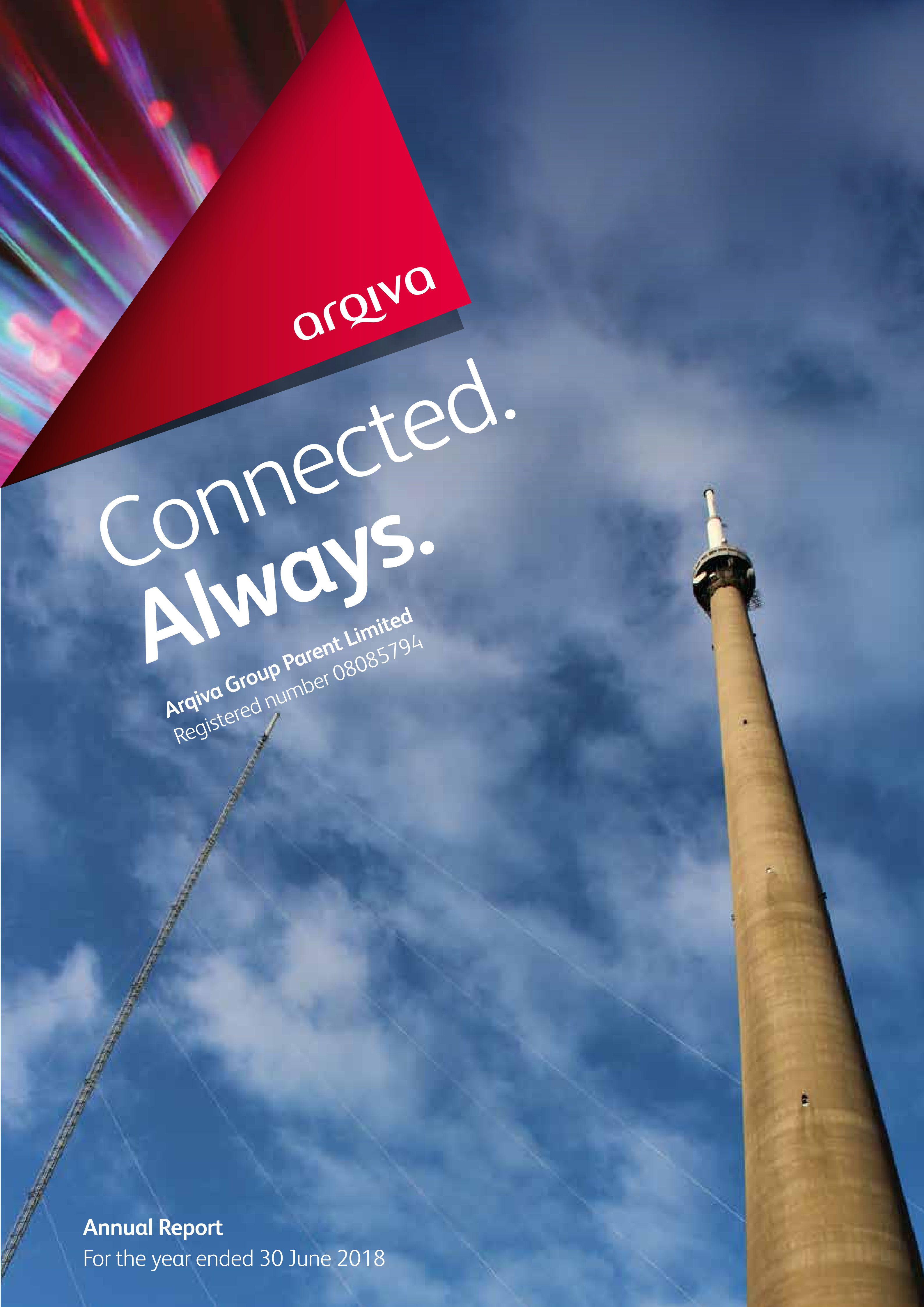
6 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly-owned by another Group entity.

7 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

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



arqiva

Connected. Always.

Arqiva Group Parent Limited
Registered number 08085794

Annual Report
For the year ended 30 June 2018

Corporate information

As at the date of this report (6 September 2018):

Group Board of Directors

Mike Parton (Chairman)
Simon Beresford-Wylie (Chief Executive Officer)
Jane Aikman (Chief Financial Officer) (appointed 23 July 2018)
Peter Adams
Mark Braithwaite
Deepu Chintamaneni
Sally Davis
Paul Dollman
Martin Healey (appointed 23 April 2018)
Neil King
Nathan Luckey
Christian Seymour
Damian Walsh

Group website:
www.arqiva.com

Independent Auditors
PricewaterhouseCoopers LLP, Savannah House, 3 Ocean Way, Southampton, United Kingdom SO14 3TJ

Company[1] Directors:

Peter Adams
Mark Braithwaite
Deepu Chintamaneni
Sally Davis
Paul Dollman
Martin Healey (appointed 23 April 2018)
Neil King
Nathan Luckey
Mike Parton
Christian Seymour
Damian Walsh

Company secretary:

Jeremy Mavor (appointed 1 January 2018)

Registered Ofiice
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
08085794

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

Cautionary statement

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

The risks and uncertainties referred to above include:

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

Guidance note to the annual report:In this document, references to ‘Arqiva’ and ‘the Group’ refer to Arqiva Group Parent Limited (‘AGPL’) and its subsidiaries and business units as the context may require. References to the ‘Company’ refer to the results and performance of Arqiva Group Parent Limited as a standalone entity.

Arqiva Smart Metering Limited (‘ASML’) is the legal entity that won the contract for smart energy metering and, whilst it sits within the ultimate parent group, it is external to the AGPL financing group. ASML has contracted with Arqiva Limited (a company within the ABPL financing group) for the provision of the core network, sites and spectrum that will support the delivery of this contact. The procurement and financing of the communications hubs (which allow information to be sent to and from the network) will be performed by ASML. Accordingly, the AGPL group is expected to benefit from the substantial majority, but not all, of the smart metering contract revenue through charges levied to ASML.

A reference to a year expressed as 2017/18 or 2018 is to the financial year ended 30 June 2018. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to ‘current year’, ‘this year’ and ‘the year’ are in respect of the financial year ended 30 June 2018. References to the ‘prior year’ and ‘last year’ are to the financial year ended 30 June 2017.

Contents

Cover Image: The iconic Emley Moor tower. Alongside, the temporary mast, erected during 2018, required to ensure completion of essential works on the 700MHz clearance programme.

Arqiva in 2018

Arqiva is the leading independent telecom towers operator and sole terrestrial broadcast network provider in the United Kingdom, holding significant investments in essential communications infrastructure. This non-replicable asset base across Arqiva's business units, as described below, will support Arqiva's leading position for the foreseeable future.

c.1,150

TV transmission sites covering 98.5% of the UK population with the DTT[1] platform

c.1,500

TV and radio broadcast transmission sites, including sites rolled out under our local DAB[3] programme completed in the year

700MHz clearance activities completed on **210** sites

Smart networks to cover up to 12 million UK premises, with over 300,000 smart meters sold to date

Access to c. 229,000 municipal street furniture sites for the provision of Small Cells in 14 London Boroughs

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[2], and a further two HD capable multiplexes, giving videostream capacity on our main multiplexes of 31

c.8,000

active licensed macro cellular sites[4], with c.1,800 4G upgrades completed during the year

Leading position providing In-Building Solutions and Distributed Antenna Systems with 46 systems installed in prime locations including Canary Wharf, Selfridges and Bluewater

c.80 satellite dishes accessing...
...40+ satellites
from **5 teleports**

Manages the distribution of 1,100 international TV channels including coverage of high profile sporting events, and provides playout services for more than 100 channels for high profile customers

1 Refers to the Digital Terrestrial Television platform, best known for supporting Freeview.
2 Main national commercial multiplexes refers to those considered to be most established.
3 Refers to Digital audio broadcasting
4 Reference to 8,000 sites includes contractual options on the assignment of sites; hereafter referred to as 'circa 8,000 active licensed macro sites'.

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

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base;
- Expanding HD and SD channel choice, thereby maximising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz clearance programme to meet target completion date in 2020;
- Continuing to develop the digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNO's;
- Growing the value of the M2M business;
- Building on Arqiva's existing urban macro site portfolio and establishing Arqiva as the predominant UK provider of urban wireless telecom infrastructure by leveraging the Group's street furniture and and exclusive concessions in prime locations;
- Continuing to improve the operational efficiency and service excellence within the Satellite and Media business unit, and taking advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market, including 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility, through expansion and development of media management service and distribution capabilities;
- Growing the Satellite data communications business in UK utilities an international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Maintaining the group wide focus on delivering cost transformation, and driving efficiencies and operational excellence across the organisation
- Maintaining high levels of service enjoyed by our customers;
- Maintaining the robustness of Arqiva's capital structure, with a long term debt platform which has an average debt maturity profile of circa 5 years, and investment grade credit rating over our senior debt; and
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a truly great place to work.

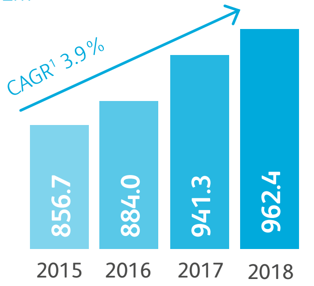
See also
Strategic Overview:
Page 15

1 Refers to 'UK Direct to Home'.
2 See page 19 for a description of this programme and its objectives.

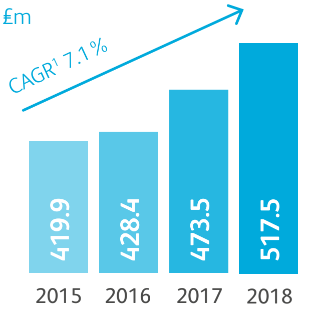
Highlights

Another strong year for Arqiva with significant growth in revenue, operating profit and cash generation continuing a trend of successive years of growth with particularly strong performance in the delivery of our major programmes.

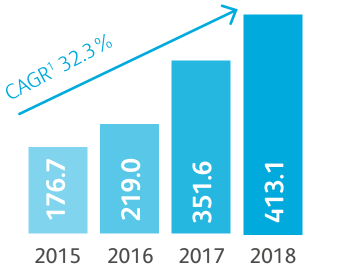
Revenue
£m



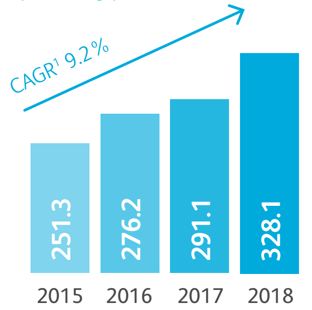
EBITDA[1]
£m



Operating cash flow after capital and financial investment activities £m[2]



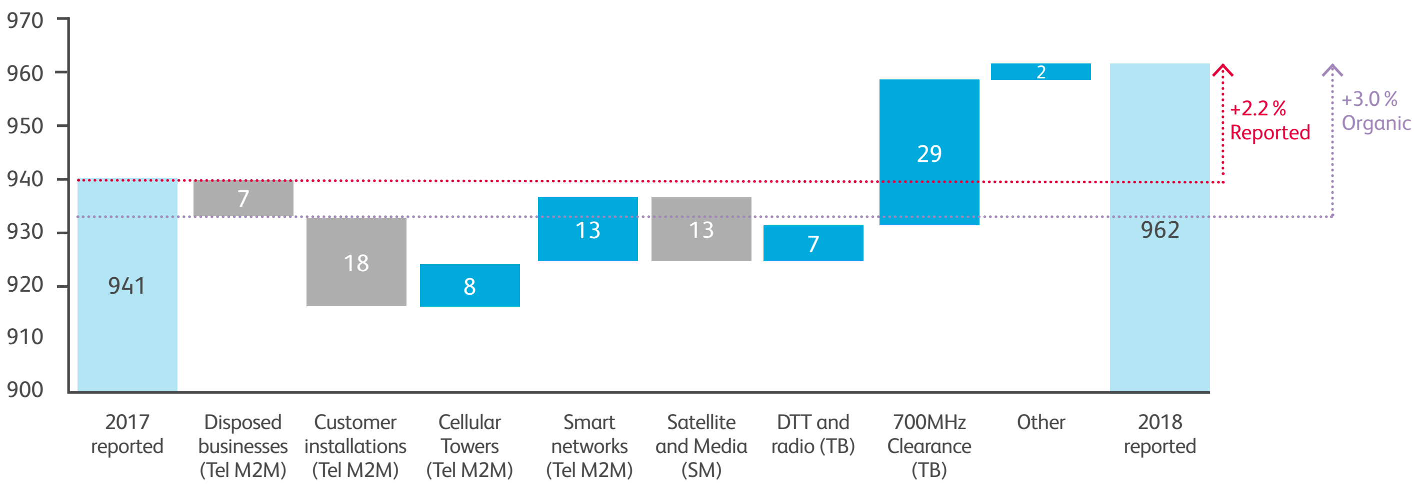
Operating profit £m



[1] Compound Annual Growth Rate ('CAGR')

Key influences on revenue growth[3] (£m):

Strong revenue growth despite operating within some challenging environments. This is reflected with decreases in certain areas of our business but also reflects a change in sales mix as reductions are faced in lower margin areas as programmes near completion.



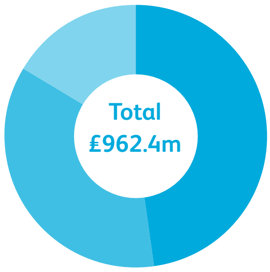
1 EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation'. This includes adjustments for certain other items charged to operating profit that do not reflect the underlying business performance. See page 23 for where this measure is fully reconciled back to operating profit as presented in the income statement.

2 Operating cash flow after capital and financial investment activities is a non-GAAP measure and represents the net cash generated by the business after investment in capital items. This represents the remaining cash available to service the capital structure of the business, or the return of cash to shareholders in the form of dividends. A full reconciliation between this measure and net cash generated from operations is presented on page 24.

3 Key drivers are stated along with the operating segment in which these business streams are aligned, i.e. Telecoms & M2M ('TelM2M'), Terrestrial Broadcast ('TB') and Satellite and Media ('SM'). The 'disposed businesses' principally relate to TelM2M, whilst 'other movements' reflect a number of smaller movements across the business as a whole. Further information and narrative is included in the financial review on page 23. cid:image001.png@01D44512.1FC132B0

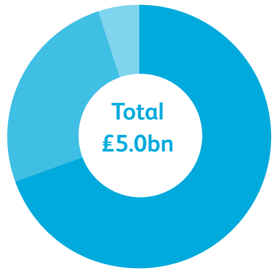
Revenue by operating segment £m

- Terrestrial Broadcast **£487.6m** (2017: £449.0m)
- Telecoms & M2M **£341.3m** (2017: £345.4m)
- Satellite & Media **£133.5m** (2017: £146.9m)



Order book £bn

- Terrestrial Broadcast **£3.5bn** (2017: £3.8bn)
- Telecoms & M2M **£1.3bn** (2017: £1.5bn)
- Satellite & Media **£0.2bn** (2017: £0.2bn)



Highlights during the year include:

- Revenue growth for the year of 2.2%, including 3.0% organic growth[1]
- Increased activity in the delivery of the 700MHz Programme in accordance with key programme milestones, with work completed on 210 sites thus far;
- Completion of the DAB roll-out
- Completion of c.8,300 4G site upgrades for MNOs[3] since roll-out began in 2014 including a considerable acceleration during the year in order to assist the MNOs in meeting coverage requirements;
- Significant EBITDA growth particularly in Telecoms & M2M (14.8%) and Terrestrial Broadcast (9.5%);
- Continuing to deliver the smart energy metering contracts, finishing the year on track and increasing recurring revenues for the Group
- 9.3% increase in EBITDA;
- Cash generation[2] up 17.5% from £351.6m to £ 413.1m;
- Cost reductions realised through the Group's FutureFit programme.

1 Organic growth refers to the underlying performance of the business excluding the impact of non-core business areas which were disposed either in the current or comparative period (i.e. the Group's WiFi businesses). Further information is included on page 115.

2 Refers to operating cash flow after capital and financial investment which is a non-GAAP measure and reconciled back to net cash inflow from operating activities on page 27.

3 Refers to Mobile Network Operators ('MNOs')

Chairman's introduction

"This financial year has seen the Group continue its strong growth in profit and cash generation for another year."

Continued excellence in financial performance

This financial year has been yet another year of growth for the business demonstrating the hard work of our people and continued success in taking advantage of the opportunities our markets offer. We have maintained our investment in our core broadcast and telecoms infrastructure markets to sustain strong performance. Alongside this, there has been continued delivery of our major capital programmes in line with key milestones which have positively impacted on the performance of the business.

We have continued to build our core broadcast and telecoms infrastructure in order to maximise capacity and develop the best strategy to utilise our infrastructure in an evolving market. As some of our programme rollouts near completion we must continue to focus on how we can develop our existing platforms for continued growth.

The Group has delivered significant operational efficiencies in the year, and continues to improve and look for further opportunities for efficiencies in order to achieve a lean business and further increase our earnings potential.

Financing

In October 2017, Arqiva announced its intention to proceed with an initial public offering ('IPO'). Owing to uncertain market conditions, the listing was not in the interests of the Company nor its stakeholders and the IPO was not pursued.

Arqiva continues to maintain its long-term debt platform, with our capital structure giving an average debt maturity profile of circa 5 years. Standard and Poor's and Fitch have reconfirmed their rating of Arqiva's senior debt as BBB.

Chief Financial Officer

Arqiva announced that Liliana Solomon, Chief Financial Officer (CFO) had decided to leave the business to pursue other career opportunities, effective 30 June 2018. I would like to take this opportunity to thank Liliana for her contribution to the business, and to wish her every success for the future.

In July 2018, we announced that Jane Aikman has been appointed as her successor. Jane joins us having previously held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies and her experience will be instrumental in helping Arqiva maintain its strong financial performance. We are delighted to be welcoming Jane to the Arqiva team.

1 Referencing EBITDA as reported on page 21

2 Referencing operating cash flow after capital and financial investment activities as reported on page 21

Changes to the Board

During the year, we welcomed Martin Healey to the Board and, after three years with us, Paul Mullins has left to pursue other opportunities. We thank Paul for his contribution to Arqiva. Martin was appointed to the Board by Frequency Infrastructure Communications Assets Limited and separately heads up the Real Assets Strategy Group at Canada Pension Plan Investment Board.

Outlook

This financial year has seen the Group continue its growth in revenue, profit and cash generation. Whilst this leaves us in a strong position as a business, we must continue to look ahead and focus on continuous improvement, to generate further operating savings whilst focusing on our strategic objectives.

This is an exciting time for Arqiva and with our role in core UK infrastructure projects such as 700MHz Clearance, 4G and DAB rollouts and the smart energy metering contract, and planning for analogue radio switchover, we are well positioned to be at the heart of the development of our core UK markets.

We work with key stakeholders, including government, regulatory bodies and our customers to build strong relationships and ensure that we remain at the forefront of decision making in the markets in which we operate to build on the trends and opportunities that they offer.

We expect that the services we provide that utilise critical national infrastructure will continue to be in demand; people in the UK will continue to watch television, listen to radio, use mobile devices and consume increasing amounts of data.

Finally, on behalf of the Board, I would like to thank all our employees across the business for their dedication and hard work, which has been central to our continued growth and success.

Mike Parton
Chairman
September 2018

Strategic report

Chief Executive's Statement

"Arqiva's financial results reflect another fantastic year and whilst there have been some specific drivers of growth, there have also been challenges."

I would first like to note that it has been another fantastic year for Arqiva that is reflected in another year of financial growth. We have continued to deliver strong performance in our core business areas and also delivered our major programmes, including 700MHz Clearance, Smart Metering, 4G Installation Services and completion of the DAB rollout. At the same time a lot of focus has been given to our operational resilience, cost effectiveness and continuous improvement.

Other highlights in the year include improved customer and employee engagement. Our customer engagement scores are significantly improved which is a really good reflection on the Company. This demonstrates our ability to deliver excellent and reliable service levels and be the preferred supplier. Our employee engagement has also increased for the fifth consecutive year. Our people are one of our biggest strengths and it is pleasing to see such great improvement as we move towards best practice. As a Group we now need to focus on delivering more of the same, driving engagement as well as continuous improvement through our FutureFit programme to continue to strengthen our operating efficiency for the future.

Our strategy for growth

Our ambition is to be central to every vital connection that people in the UK make, every day. We want to create a lean, cash-generative platform, with a clear focus on broadcast and telecoms infrastructure, on which we can continue to build as opportunities arise. Arqiva continues to serve some interesting markets which provide us with many opportunities. We need to ensure we remain competitive in our core areas and drive change and remain at the forefront of the decision making in markets such as broadcast.

We have continued to do this with the DTT platform. As viewing appetites change, the shareholders of Digital UK (including Arqiva) which support Freeview will be investing in the platform to transition to a fully hybrid platform. This will provide best of free-to-view live and on-demand TV. Additionally, Arqiva continues to work with major broadcasters and Ofcom at the heart of the 700MHz Clearance programme to clear spectrum to be used for mobile data services with high activity levels on the programme expected to continue through the next financial year.

In May 2018, the latest radio listening figure revealed that digital radio listening has now reached the 50% milestone expected to trigger a timeframe review for analogue radio switchover. We will continue to look at how we can work with the Government and Broadcasters on the review and how our DAB radio network can be utilised for this.

As demand for data continues to increase, this provides opportunity to scale our macro networks, expanding our core tower infrastructure and continuing to deliver on our smart metering contracts.

Financials

Arqiva's financial results reflect another fantastic year with continued growth in revenue up 2.2% as well as substantial increases in earnings up 9.3% and cash generation up 17.5%. Operating profit has also increased 12.7%. Whilst there have been some specific drivers of this growth across the business, there have also been challenges, particularly in a number of market segments served by our satellite and media business.

1 Reported revenues of £962.4m in 2018, and £941.3m in 2017.

2 Referencing EBITDA as reported on page 21 (2018: £517.5m; 2017: £473.5m)

3 Referencing operating cash flow after capital and financial investment activities as reported on page 24 (2018: £413.1m; 2017: £351.6m)

4 Referencing organic growth, i.e. reported revenues adjusted for the impact of disposed businesses

The main drivers of organic revenue growth were in Terrestrial Broadcast and Telecoms & M2M, with increases of up 8.6% and 0.9% respectively. A significant proportion of this has come from revenues from the core telecoms towers business, increased activity on the 700MHz Clearance programme and the Group's smart metering network. Satellite and Media revenues and earnings (down 9.1% and 3.4% respectively) have been impacted by exiting low margin contracts, pricing pressure and rationalisation of service.

The visibility of revenues with a contracted order book of £5.0 billion, inflation-linked pricing, and the opportunity to increase utilisation of our infrastructure, places Arqiva in a very strong position to continue to deliver stable profitable growth. Our on-going and significant investment in digital broadcast infrastructure; mobile networks and virtualisation underlines Arqiva's commitment to creating an efficient platform to build on with future opportunities.

Alongside our growth strategy, we have focused on continuous improvement. Our 'FutureFit' transformation programme is reducing our cost base and better aligning the way we work to reflect market developments and the needs of our customers; and strengthening our ability to deliver complex projects.

Operational delivery

We have continued to deliver, to schedule, a number of large-scale projects which leverage our tower infrastructure, including 700 MHz Clearance and smart energy and water metering.

Activity in relation to the 700MHz clearance programme has seen a significant increase in 2018 with activity at its peak and on track to deliver accelerated Clearance by 2020. Arqiva is responsible for a wide range of services required as part of the programme including spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency.

Our smart energy metering contract for the North of England and Scotland which is now 'live' has brought significant new, and recurring, revenue streams into the Telecoms and M2M business. The Arqiva network is successfully transmitting and receiving between the energy companies and consumer gas and electricity meters. The rollout of the network in Arqiva's contracted area is currently at 98% coverage and the rate of rollout of enabled gas and electricity meters to consumers' homes is expected to accelerate over the next 12 months.

The Group has now completed its DAB rollout programmes, taking BBC DAB coverage to more than 97% of the population and local DAB coverage to over 91%. We are now well positioned to benefit from a booming radio industry with further investments being made in the networks. With listening figures surpassing the 50% mark for digital radio, the focus will now be on the review to give a timeframe for full analogue switchover.

Arqiva has continued its strong delivery of the installation services for 4G rollout programme, playing a key role in helping the UK MNO's meet their coverage obligations. Volumes have remained high through 2018 but are now starting to decrease with rollout nearing completion.

Management Board

Arqiva announced during the year the appointment of Jeremy Mavor as General Counsel and David Crawford as Managing Director of the Telecoms & M2M business. Jeremy and David replace Michael Giles and Nicholas Ott respectively, who have decided to leave their positions after a number of years of distinguished service. On behalf of the Board, I would like to thank both Michael and Nicholas for their contributions to Arqiva.

Jeremy moves to the General Counsel role from his position as Head of Legal for finance and corporate matters. David Crawford moves from his position as Managing Director of Satellite and Media. Alex Pannell, previously Commercial Director of Satellite and Media, has been appointed to replace David Crawford in this business.

Outlook

I am excited about Arqiva's future as we continue to drive customer and employee engagement. We will focus on continuous improvement to capitalise on opportunities as our markets develop. We need to be aware of our successes and not become complacent so that we can continue to leverage our critical national infrastructure and be well placed to benefit from emerging market opportunities. I am confident that our strategy, together with the support of our people, will continue to deliver our objectives and enable us to further grow as a business.

Simon Beresford-Wylie
Chief Executive Officer
September 2018

1 Referencing organic growth, i.e. reported revenues adjusted for the impact of disposed businesses

Business overview

The UK's leading independent telecom sites operator and sole UK terrestrial broadcast tower network.

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

The Group is an independent provider of telecom towers, with circa 8,000 active licensed macro cellular sites, and the only national provider of terrestrial television and radio broadcasting facilities. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve. Arqiva is independent and reliable.

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

Whilst we have an overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region; therefore, while the nature of Britain's exit from the European Union is still uncertain, we have minimal exposure to international markets and foreign exchange.

The Group has invested significant sums into its infrastructure with £1.8bn of property, plant and equipment at 30 June 2018. Arqiva is financed through a mixture of equity and a long-term debt platform, with an average debt maturity profile of circa 5 years. The Group's senior debt has an investment grade (BBB) rating from Standard & Poor's and Fitch.

A pioneer in an always on, always connected world.

Attractive UK communications infrastructure market

- DTT is the most popular TV platform in the UK, covering 98.5% of the population; and
- Explosive data traffic growth and proliferation of mobile devices driving coverage requirements and demand for telecoms towers and small cells.

A market leader

The following key competitive positions make Arqiva the market leader:

- The largest independent provider of telecom towers with c.8,000 active licensed macro cellular sites;
- Sole provider of terrestrial television network access (Freeview);
- Owner of 2 of the 3 main national commercial multiplexes; and
- Pre-eminent role in radio broadcasting both locally and nationally.

High barriers to entry

Arqiva owns critical national UK infrastructure that enables MNOs and PSBs[1] to meet their government mandated universal coverage obligations.

The Group's unique site locations and national footprint play a crucial role in supporting these coverage obligations; including our increased exclusive access to municipal street furniture across 14 London Boroughs.

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

1 Refers to Public Service Broadcasters ('PSBs')

Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936 it carried the BBC's first television broadcast. In 1978 it enabled Europe's first satellite TV test. By the 1990s Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. In the 2000s, it launched the UK's national DAB radio and digital terrestrial television network. Most recently, Arqiva has played a pioneering role in the roll-out of the national smart energy metering network, has supported the continued roll-out of 4G data coverage, and is at the forefront of the emergence of 5G.

The Group's technology and infrastructure, combined with its history and experience, enable it to work with everyone from MNOs, such as BT-EE, Vodafone, O2 and Three, to independent radio groups and major broadcasters such as the BBC, ITV, Sky, Turner and CANAL+, to utility companies such as Thames Water and to the DCC.

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

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

Investing to ensure the UK has the communications infrastructure it needs to thrive in an increasingly connected world.

Business model and business units

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

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

- Broadcast transmission from its towers;
- Telecommunications from active licensed macro sites;
- DTT, radio and satellite multiplexes;
- Machine-to-machine network connectivity supporting smart networks;
- Satellite transmission and play-out;
- Small cells and in-building services; and
- Fibre cable connections.

Arqiva's business is aligned into the following customer-facing business units, supported by the Group's corporate functions:

Terrestrial Broadcast

Terrestrial Broadcast owns the infrastructure and sites for the transmission sites for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, and delivers related engineering projects. Revenues are derived from the utilisation of the Group's transmission sites, provision of transmission services, charges for spectrum utilisation, and for provision of engineering services. The business unit holds a regulated position as the sole provider of network access and managed transmission serices for terrestrial television services. The Group is currently earning revenue on delivery of the programme to clear the 700MHz frequency range of television signals, so that it can be used for mobile data.

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

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as UKTV, Sky, CBS and Turner to deliver broadcasting content using our channel capacity.

Arqiva also owns both HD-enabled DTT multiplex licences that provide services to Freeview and other DTT-related platforms including Youview. In addition, the business unit operates more than 1,500 transmission sites for radio, providing coverage to circa 90% of the UK population. Arqiva is a shareholder in and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex. Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.5bn which includes major contracts running as far as 2035.

Telecoms & M2M

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

The Telecoms & M2M division is the UK's largest independent provider of wireless towers, with circa 8,000[1] active licensed macro sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing

1 Including contractual obligations

Telecoms & M2M (continued)

agreements, from which Arqiva earns site share revenues and delivers equipment upgrades for the roll-out of 4G. These towers are central to Mobile Network Operators' contractual obligations and requirements to provide up to 98% 4G coverage from the end of 2017.

Arqiva has a leading position in providing neutral host In-Building solutions and DAS, with 46 systems installed in locations including Canary Wharf, Selfridges and Bluewater. Arqiva also has access to municipal street furniture sites for the provision of Small Cells and commercial wireless networks across 14 London Boroughs and in four UK towns and cities.

Although installation services from 4G are starting to decline with the rollout, the core telecoms towers business and M2M network continue to be areas of growth for the Group, with an order book of £1.3bn with some contracts running as far as 2029.

With a focus on innovation, Arqiva is embracing one of the world's fastest developing sectors - M2M - for which Arqiva utilises its Flexnet network (for smart metering – gas, electricity and water). The Group has invested in building M2M networks, which are now supporting a major energy metering contract spanning 15 years and covering more than 9 million premises, and a water metering contract which will cover 3 million homes in a, now accelerated, initial phase of 6 years, with likely extension for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which now result in recurring cash flows during the long-term operational phases of the networks.

Satellite and Media

Satellite and Media owns and operates teleports at key locations in the UK, as well as an international terrestrial fibre network, media facilities and leased satellite capacity. The Group has more than 40% market share[1] in up-linking and it serves as an alternative to Sky's own up-linking services. These enable the business to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally.

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

Arqiva manages the distribution of more than 1,100 international TV channels including coverage of high profile sporting events, and provides playout services for more than 100 channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner. Arqiva's operation of reliable and secure VSAT communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite and Media business. Examples of this include the use of IP technology to provide video-on-demand services on a pan-European basis, and also developing the metadata layer behind Freeview Play. Satellite and Media has an order book of £0.2bn which is comprised of short-to-medium term contracts extending out to 2026.

Corporate

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

See also
Strategic Overview:
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See also
Key Performance Indicators:
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Spotlights:
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1 In reference to the number of transponders accessed through up-linking services.

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

Strategic overview

Vision

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

Arqiva's core values guide how people work together and with customers:

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

Strategy

Arqiva's strategy is to reinforce its position as the leading UK communications infrastructure company, whilst supporting the development of a vibrant digital economy.

The Group's strategy is summarised by the following **strategic priorities:**

1. **Grow a financially successful business,** leveraging existing infrastructure assets and customer relationships with selective investment to maximise value by securing long-term scalable growth opportunities.
2. **Simplify and standardise our technology, platforms and processes** to optimise costs, improve efficiency and drive superior returns.
3. **Help Arqiva's customers prosper and succeed** by delivering superior services in the most cost efficient way.
4. **Be a great place to work by continuing to invest in our people**, building the Group's knowledge and growing its expertise, led by a dynamic senior management team with a clear vision and proven track record.

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

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base;
- Expanding HD and SD channel choice, thereby maximising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz clearance programme to meet target completion date in 2020;
- Continuing to develop the digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNO's;
- Growing the value of the M2M business;
- Building on Arqiva's existing urban macro site portfolio and establishing Arqiva as the predominant UK provider of urban wireless telecom infrastructure by leveraging the Group's street furniture and and exclusive concessions in prime locations;
- Continuing to improve the operational efficiency and service excellence within the Satellite and Media business unit, and taking advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market, including 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility, through expansion and development of media management service and distribution capabilities;
- Growing the Satellite data communications business in UK utilities an international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Maintaining the group wide focus on delivering cost transformation, and driving efficiencies and operational excellence across the organisation
- Maintaining high levels of service enjoyed by our customers;
- Maintaining the robustness of Arqiva's capital structure and investment grade credit rating; and
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a truly great place to work.

2018 Progress

Grow a financially successful business

- 2018 has seen a continued upward trend in strong financial performance with revenue, profit and cash generation all up

Simplify and standardise our technology, platforms and processes

- Improved margins from cost savings and operating efficiencies from the FutureFit programme becoming embedded into the cost base of the business

Help Arqiva's customer prosper and succeed

- Overall improvement in customer engagement scores
- Big successes in service reliability with instances of over 1000 days without avoidable outage
- Strong programme delivery of 700MHz and Installation services

Be a great place to work by continuing to invest in our people

- Increased employee engagement scores with now only 1 disengaged employee for 9 engaged
- Re-obtained our Investors in People Gold award

Business update

The Group's contracted order book value at 30 June 2018 was £5.0bn. In the year the Group won circa £420m of new contracts. A significant proportion of the value of this order book relates to medium to long-term contracts which includes DTT and radio transmission, site sharing, and smart metering (energy and water), as well as satellite and other infrastructure services. The Group remains focused on growth opportunities in targeted, core infrastructure areas.

Terrestrial Broadcast Developments

Freeview investment to transition to a hybrid platform

The UK's top broadcast companies have signed a new five-year agreement to accelerate Freeview's transition to a fully hybrid platform, providing the best in free-to-view live and on-demand TV. The collaboration between the BBC, ITV, Channel 4 and Arqiva – the four shareholders of Digital UK – will see an investment of £125 million over the next five years to build on the success of Freeview Play, the UK market leader in free-to-view connected TV.

Alongside the ongoing support for the Freeview platform, new developments will include a mobile app and improvements in content discoverability and navigation. The agreement to invest in developing Freeview as a fully hybrid platform reflects the complementary strength of linear TV and growth of on-demand viewing.

Since launch in 2015, more than three-and-a-half million Freeview Play products have been sold in the UK from brands including Panasonic, LG, Sony, and Toshiba, accounting for 60% of smart TV sales. The service gives UK viewers a seamless combination of live and on-demand content all in one place with no monthly subscription.

Digital Platforms channel utilisation

As at 30 June 2018, the Group had capacity of 31 videostreams on its main multiplexes, all of which were utilised. Ongoing high levels of Multiplex utilisation demonstrates the on-going attractiveness to broadcasters of the Freeview DTT platform.

700 MHz Clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned for use by the mobile network providers, a change that is being adopted across Europe, Africa, the Middle East and central Asia.

The Group is contracted with the major broadcasters and Ofcom for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery remains on track and the Group earns revenues and cashflows as the programme is completed. All Clearance events scheduled to the end of August 2018 have been completed successfully in line with the programme requirements and the programme rollout is planned to continue to May 2020.

Digital radio (DAB) rollout

Arqiva's long term strategy of supporting DAB digital radio take-up continues to show positive results. The UK's official radio listening data, produced by RAJAR, confirms that more than six in ten consumers now have a DAB digital radio. The most recent RAJAR figures show that digital listening (across DAB, DTT and IP) has exceeded 50%. As a result, the UK Government is evaluating its approach towards a review around the future of radio and a potential process for a switchover from FM to DAB at some future date.

Arqiva's DAB multiplexes show high utilisation levels driven by strong market demand as supported by the launch of an additional channel across all of Arqiva's Local multiplexes. Hits Radio, from Bauer Media is using Local multiplexes to deliver a network providing quasi-national coverage.

Telecoms & M2M developments

Arqiva helps MNOs to meet UK coverage obligations

In March 2018, Ofcom publicly announced that all four MNOs had met all of the coverage obligations they were required to meet by 31 December 2017. Arqiva played a key role in helping the UK MNOs meet these obligations and this has been recognised from the high levels of customer satisfaction received. For the past four years Arqiva undertook large volumes of antenna and feeder upgrade projects for the MNOs as part of Installation Service activities to help them achieve their coverage requirements. The Group had completed 8,245 4G equipment upgrades across Arqiva sites up to 30 June 2018 since rollout began in 2014. With coverage obligations now met and rollout nearing completion, Installation Services activity, which is lower margin compared to site sharing, is reducing in line with rollout plans.

Arqiva will continue to play a key role as new spectrum bands are deployed to meet capacity requirements which will include the rollout of 5G.

Small cells

The Group continues to develop its outdoor small cells proposition with Arqiva hosting MNO owned small cells on fully connected street infrastructure to provide street level network capacity in dense urban locations. The Group has received commercial contracts from two MNOs for localised small cells rollout in some London boroughs. In addition trials are expected in the near term with the other two MNOs.

Arqiva is fully committed and well-placed to support the UK in its efforts to become 5G ready.

In July 2017, Arqiva and Samsung Electronics launched the first field trial of 5G FWA (Fixed Wireless Access) 28GHz technology in the UK and Europe. Furthermore, the Group also acquired an additional 28GHz spectrum licence from intelligent managed services provider, Luminet. The licence for 2x 112MHz covers Central and Greater London and bolsters Arqiva's existing nationwide spectrum band ownership. The 28GHz spectrum band is the standard band used for 5G FWA connectivity trials in the USA, Japan and South Korea. During the financial year the Group has continued to engage with stakeholders to evaluate opportunities.

Smart energy metering rollout

The Group's smart metering communication network in the North of England and Scotland is live and successfully transmitting and receiving messages between the energy companies, and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots continues and these are now progressing into initial customer roll-outs. Arqiva has been supporting the DCC with their preparations ahead of mass roll-out which will commence by the end of 2018.

Further rollout of the Arqiva network is on track and currently covers 97.8% of premises in line with requirements.

Smart water metering rollout – Thames Water

Arqiva has a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The service is reliably delivering 6 million meter readings per day with over 307,000 meters installed as at 30 June 2018. Arqiva is close to having full network coverage deployed across the entire Thames Water London region, completion being targeted by the end of 2018.

Smart water metering trial contracts – Anglian Water

Arqiva has contracts with Anglian Water for the delivery and monitoring of smart water metering fixed network trials for the deployment and operation of new water meters in two regions. These trials are part of Anglian Water's plans for a long-term smart metering programme. The Group has successfully created a stable platform to generate data for Anglian's customers and through this they are realising the benefits of both improved leakage detection and consumer engagement. As at 30th June 2018, 17,200 out of the anticipated full complement of 19,500 meters had been installed.

Satellite and Media developments

UK Direct To Home (DTH) HD channel growth

In the UK DTH product line, Arqiva continued to see HD channel growth during the financial year. In the financial year to 30 June 2018 Arqiva launched four new HD channels. This further reinforces the Group's position as a leading provider of UKDTH services.

Virtualisation and OTT

Our Satellite and Media customers continue to transition to IP networks and infrastructure to deliver video growth. Arqiva has therefore developed an innovative for software defined networking that enables us to deliver highly flexible networks to meet our internal and external customer demands. Our solution delivers video to and from traditional and new IP formats in an automated and dynamic way that also provides scalable opportunities. Allowing Arqiva to meet new customer demand with a better experience, underpinned by a more efficient operating model and cost base.

During the financial year, the Group secured its first virtualised services contract with a US broadcaster who has launched a new consumer OTT service. To provide core managed teleport and fibre services, along with a highly scalable IP streaming service for hundreds of live sports events each year. With our new virtualised capabilities, we are able to provide a flexible cost model along with a highly automated delivery

Furthermore, Arqiva also secured two new customers on its new cloud based service. These new services will be delivered as part of an overall 'hybrid' solution that include core services from existing portfolio. The use of public cloud services allows Arqiva to provide high levels of service automation and commercial flexibility.

Business update

Other business developments

'FutureFit'

The Group's company-wide transformation programme, 'FutureFit', continues to progress and deliver savings. Through this transformation programme, Arqiva continues to streamline and standardise its processes, modernise IT systems and achieve significant cost efficiencies and savings. The programme covers:

- The streamlining of operational end-to-end processes across the business enabled by a transformation of IT systems to deliver improvements in operational efficiency, eliminate waste and deliver improvements in customer services; and
- Cost reductions in spending on third party suppliers in all areas. The Group is reviewing all areas of spend and progressing with a number of actions; consolidating demand across the Group to ensure best prices, re-negotiating supplier contracts, reducing spare capacity and wherever possible eliminating spend through process optimisation activities.

Great progress has been made to advance these initiatives and deliver significant savings. 'FutureFit' has contributed to EBITDA margin increase from 48.5% in the year ending 30 June 2016 to 53.8% in the year ending 30 June 2018 with further savings targeted for future years. Key developments to date include the elimination of excess satellite transponder capacity; a reduction in leased line costs; property related cost savings and cost efficiencies in a number of overhead costs.

Credit ratings update

Fitch and Moody's affirmed their ratings during the first half of the year. The Group's senior and junior debt continues to be rated at BBB (Fitch/S&P) and B-/B3 (Fitch/Moodys) respectively.

On the back of the strong financial results reports, the Group has today announced its intention to refinance (subject to market conditions) the existing Junior Notes with engagement with investors over the coming period that may lead to a new junior note being issued.

Change in Chief Financial Officer (CFO)

In July 2018, Jane Aikman joined Arqiva as its new CFO, replacing Liliana Solomon. Jane brings extensive experience having held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies. Most recently, Jane was CFO of KCOM Group, a listed communications services and IT solutions provider. Prior to KCOM Jane was CFO and Chief Operating Officer of Phoenix IT Group, a provider of Business Continuity, IT infrastructure managed services and Partner Services. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. Jane also currently serves as a non-executive director on the board of Morgan Advanced Materials, a UK PLC.

1 In addition to the existing operational efficiencies previously reported in the year ended 30 June 2016.

Financial review

Headline financials

Revenue	Operating profit	EBITDA
↑ 2.2% to **£962.4m**	↑ 12.7% to **£328.1m**	↑ 9.3% to **£517.5m**

Profit before tax	Operating cash flow	Operating cash flow after capital and financial investment activities
↑ loss increased to profit of **£74.3m** (profit includes non-cash charges (net) of £267.2m (2017: £452.5m) – see page 23)	↑ 16.8% to **£572.1m**	↑ 17.5% to **£413.1m**

Financial performance

For the year ended 30 June 2018, revenue for the Group was £962.4m, an increase of 2.2% from £941.3m in the prior year. Revenue includes £nil (prior year £7.2m) from the Group's former WiFi business disposed of during the prior year. Excluding the effect on financial performance of this disposal, organic revenue growth from the continuing business was 3.0%. This continues a trend of reported revenue growth with a compound annual growth rate of 3.9%

Revenue by operating segment	30 June 2018 £m	30 June 2017 £m	Variance %
Terrestrial Broadcast	487.6	449.0	8.6
Telecoms & M2M	341.3	345.4	(1.2)
Satellite and Media	133.5	146.9	(9.1)
Total	962.4	941.3	2.2

Terrestrial Broadcast revenues increased by 8.6% from £449.0m to £487.6m year on year. Revenue on contracts has increased through the year, resulting from the current phase of the DAB rollout that has completed in the year and the increased transmission activity thereon. RPI linked increases on broadcast contracts have delivered further growth. The 700MHz Clearance programme has seen a significant increase in the year with activity on the programme at its peak with 210 sites completed and activity on this project is expected to remain at elevated levels through the next financial year.

Telecoms & M2M revenues decreased by 1.2% from £345.4m to £341.3m year on year. Excluding the effect of the Group's WiFi business disposed of in the prior year which contributed £7.2m to revenue in 2017, the telecoms business experienced revenue growth of 0.9%. The increase in revenue resulted primarily from growth across the Group's core telecoms towers business driven by increased site numbers under the Group's control and associated activities. Whilst activities from Installation Services to assist MNOs in meeting coverage requirements remained high for most of FY18 with annual revenue of £51.6m, volumes have begun decreasing and are expected to continue to decrease in to the next financial year in line with 4G rollout. Revenue from the M2M business has continued to increase as a result of further change requests negotiated in the year. This has however been partially offset by a reduction in revenue from meter sales in relation to its smart metering contract with Thames Water.

Satellite and Media is operating in a challenging market with revenue reductions in 2018 of 9.1% from £146.9m to £133.5m year on year and expected to continue in to 2019. The decrease was driven by the continuing impact of exiting low margin contracts, pricing pressure and rationalisation of services. The decrease year on year has however been partially offset by the rollout of new HD channels within the UK DTH business.

Gross profit was £639.4m, representing a 8.8% increase from £587.8m in the prior year. Gross profit from the continuing business[1] increased by 9.1% year on year as a result of strong revenue growth and improvements in the efficiency of service delivery.

Other operating expenses before exceptional items were £121.8m, up 6.5% from £114.4m in the prior year. The increase is due to a shift in the nature of activities as major programmes progress, which has reduced internal labour costs and increased third party expense, as well as additional one off consultancy costs incurred in the year.

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance such as exceptional items. A reconciliation of EBITDA to operating profit is provided on page 23.

EBITDA for the Group was £517.5m, representing a 9.3% increase from £473.5m in the prior year, explained by the increase in gross profit resulting from the shift in sales mix as well as cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business. This performance reflects another year of strong upward trend in EBITDA growth with an annualised growth rate over the past 4 years 7.1%.

EBITDA by operating segment	30 June 2018 £m	30 June 2017 £m	Variance %
Terrestrial Broadcast	360.8	329.4	9.5
Telecoms & M2M	178.1	155.1	14.8
Satellite and Media	33.8	35.0	(3.4)
Other [2]	(55.2)	(46.0)	(20.0)
Total	517.5	473.5	9.3%

EBITDA for the Group's Terrestrial Broadcast business was £360.8m, representing a 9.5% increase from £329.4m in the prior year. The growth was mainly due to significant increases in the 700MHz Clearance Programme, with activity at its peak in the year, as well as increased activity from DAB following the completion of rollout.

EBITDA for the Group's Telecoms & M2M business was £178.1m, a 14.8% increase from £155.1m in the prior year. This strong increase has been driven by changes in sales mix namely an increase in site share revenue and incremental changes relating to the smart metering contract offset by a reduction in lower margin installation services activity.

EBITDA for the Satellite and Media business was £33.8m which was a 3.4% decrease from £35.0m in the prior year. The decrease reflects the challenges of the market with revenue reducing partially offset by reduction of Satellite capacity costs as a result of the FutureFit savings programme.

The increase in other costs versus the prior year is reflective of increased maintenance and licence costs to support IT systems in growth areas including Smart metering, together with one-off costs including consultancy costs.

Depreciation (2018: £163.7m; 2017: £141.6m) and amortisation (2018: £16.7m; 2017: £12.6m) were collectively 17.0% higher year on year. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with Smart Metering contracts and the 700 MHz Clearance programme) and the accelerated depreciation and amortisation on certain assets (particularly asset replacements connected with the 700MHz Clearance Programme and software impacted by the Group's IT transformation programme respectively).

Impairment of £4.4m (2017: £nil) was recognised in the year to write down the value of tangible and intangible assets in relation to non-core business areas.

Exceptional items charged to operating profit were £9.5m, down from £29.5m in 2017. These costs relate predominantly to reorganisation costs as the Group executes its FutureFit operational efficiency programme. The decrease is due to one off costs incurred in 2017 related to compensation payments for changes to employee terms and conditions.

Operating profit for the year was £328.1m, an increase of 12.7% from £291.1m in the prior year. The increase was due to the additional EBITDA generated from each of the group's businesses, partially offset by higher exceptional charges and higher depreciation and amortisation charges. A reconciliation between operating profit and EBITDA is presented below:

1 Excluding the financial effect of the disposed non-core business areas outlined above – 2018 gross margin: £nil; 2017 gross margin: £1.7m.
2 Other refers to the Group's corporate business unit. See page 29 for a description of the Group's business units and the activities involved.

Financial review

Reconciliation between operating profit and EBITDA	30 June 2018 £m	30 June 2017 £m
Operating profit	328.1	291.1
Exceptional items charged to operating profit	9.5	29.5
Depreciation	163.7	141.6
Amortisation	16.7	12.6
Impairment	4.4	-
Share of results of associates and joint ventures	(0.2)	(0.3)
Other income	(4.6)	(1.1)
Other[1]	(0.1)	0.1
EBITDA	517.5	473.5

Finance costs (net of finance income) were £346.2m, an increase of 2.8 % from £337.3m in the prior year. The increase was primarily due to the compounding effect of interest on outstanding amounts owed to group undertakings and increased imputed interest partially offset by decreases as a result of the new facilities and swap instruments established in November 2016.

The Group reported £92.4m (gains) within other gains and losses in the year (2017: £133.1m losses). This principally arises from positive fair value movements (gain of £90.3m) recorded in respect of derivative contracts, which are not hedge accounted, attributable to changes in market yields and credit spreads. A £2.0m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however the cross- currency swaps provide an economic hedge to the Group's US$ denominated debt. The gain recorded in the year also includes £0.1m profit on disposal of investment in relation to the sale of the Arts Alliance Media Investment Limited joint venture.

Profit before tax was £74.3m, up from a loss of £179.3m in the prior year. The loss before tax is reported after non-cash charges of £267.2m (2017: £452.45m) as shown below:

Reconciliation between loss before tax and profit before tax and non-cash charges/(gains)	Year ended **30 June 2018** £m	Year ended **30 June 2017** £m
Profit/(loss) before tax	**74.3**	**(179.3)**
Depreciation	163.7	141.6
Amortisation	16.7	12.6
Impairment	4.4	-
Share of results of associates and joint ventures	(0.2)	(0.3)
Accrued interest on shareholder loan notes	144.9	136.2
Other non-cash financing costs [2]	30.1	29.3
Foreign exchange revaluations on financing	(2.0)	8.3
Fair value movements on derivative financial instruments	(88.6)	104.2
Exceptional close out of swap arrangements	-	15.4
Exceptional loss on disposal of subsidiary 2018	-	5.2
Exceptional profit on disposal of joint venture	(0.1)	-
Total non-cash charges	**267.2**	**452.5**
Adjusted profit before tax and non-cash charges	341.5	273.2

1 includes add-backs for certain profit or loss on disposal of other intangibles and property plant and equipment and including deductions for non-interest related finance costs, principally bank charges, that are not considered relevant in understanding the underlying performance of the business.

Net cash inflow from operating activities was £572.1m, representing an increase of 16.8% from £489.7m in the prior year. This increase is owing to positive working capital movements predominantly from additional cash received from customers (increasing deferred income) and the additional EBITDA generated by the business.

Net capital expenditure and financial investment was £159.0m, representing an increase of 15.1% from the prior year. In the year there were £5.2m net proceeds on the disposal of the Group's investment in Arts Alliance Media Investment Limited (2017: £23.2m net proceeds on disposal of the Group's WiFi business).

Operating cash flow after capital and financial investment activities was £413.1m, an increase of 17.5% from £351.6m in the prior year.

Reconciliation between net cash inflow from operating activities and operating cash inflow after capital and financial investment activities	30 June 2018 £m	30 June 2017 £m
Net cash inflow from operating activities	572.1	489.7
Purchase of tangible and intangible assets	(165.1)	(161.3)
Sale of tangible assets	0.3	-
Disposal of subsidiary undertakings	-	23.2
Disposal of investment	5.2	
Loans to joint ventures	0.6	-
Net capital expenditure and financial investment	**(159.0)**	**(138.1)**
Operating cash flow after capital and financial investment activities	**413.1**	**351.6**

Financial position

Net liabilities were £1,365.5m, representing a decrease of 18.4% from £1,673.2m in the prior year.

During the year, the Group recognised a deferred tax asset of £206.1m as a result of Finance (No.2) Act 2017 being substantively enacted in the year. The changes in the Finance Act result in the Group expecting to utilise its deferred tax assets in a foreseeable time period and therefore have been recognised on the statement of financial position.

Financing

The Group established its Whole Business Securitisation ('WBS') structure in February 2013, and since then it has continued to refinance elements of its debt structure further extending its maturity profile. The Group continues to hold significant levels of financing incurring costs thereon.

Standard and Poors and Fitch reconfirmed their rating of Arqiva's senior debt at BBB.

At 30 June 2018 the Group's debt finance[1] comprised:

	Falling due				
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Total £m
Facilities drawn	55.0	-	-	-	55.0
Finance lease obligations	0.7	1.6	1.7	9.1	13.1
Senior term debt	-	75.0	-	370.0	445.0
Senior bonds and notes	77.2	427.2	393.2	957.5	1,855.1
Junior bonds	-	600.0	-	-	600.0
Intragroup loans	-	-	-	45.2	45.2
Total	**132.9**	**1,103.8**	**394.9**	**1,381.8**	**3,013.4**

Included within the above is £1,994.9m of fixed rate debt and £1,038.5m of floating rate debt of which £272.9m is US$ denominated. The Group holds interest rate swaps (including inflation-linked interest rate swaps) and cross-currency swaps to hedge its interest rate and foreign currency exposures. This hedging strategy is employed to ensure the certainty of future interest cash flows.

1 Excluding unamortised debt issue costs

Financial review

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements at the senior and junior financial levels:

	30 June 2018	30 June 2017
Senior debt level financial covenant ratios		
Maximum allowed ratio of net debt to EBITDA	7.50	7.50
Actual ratio of net debt to EBITDA	4.42	5.10
Minimum allowed ratio of cash flow[1] to interest	1.55	1.55
Actual ratio of cash flow[1] to interest	2.78	2.53
Junior debt level financial covenant ratios		
Maximum allowed ratio of net debt to EBITDA	8.50	8.50
Actual ratio of net debt to EBITDA	5.51	6.29
Minimum allowed ratio of cash flow[1] to interest	1.50	1.50
Actual ratio of cash flow[1] to interest	2.11	1.92

Liquidity

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

Drawings on facilities at 30 June 2018	Total Facility £m	Drawn £m	Available £m
Working capital facility	140.0	55.0	85.0
Capital expenditure facility	250.0	-	250.0
Liquidity facility	250.0	-	250.0
Total	**640.0**	**55.0**	**585.0**

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

Going concern

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments both in terms of capital programmes and financing. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing this financial information.

Key performance indicators

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

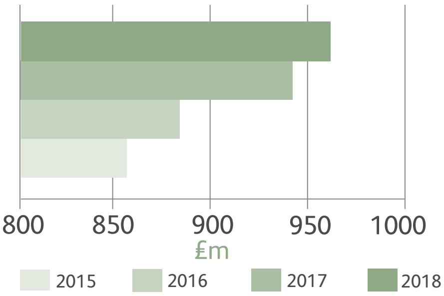
The Group's strategic priorities centre around:

- Growing a financially successful business (financial success);
- Simplification and standardisation of our approach to efficiency (driving increasing returns);
- Helping our customers prosper and succeed (our customers); and
- Being a great place to work (our people).

See page 15 for further details on our strategic priorities

Financial success and driving increasing returns…

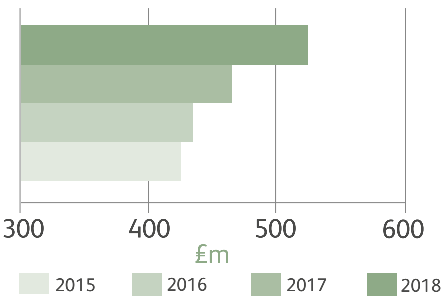
Revenue



Definition - Revenue is presented as per the financial statements, and in accordance with IAS 18.

Result - Revenue has increased 2.2% from the prior year (2018: £962.4m; 2017: £941.3m) and 3.9% on an annualised basis over the past four years. The primary drivers of this continued growth were within the Group's telecoms towers business, benefitting from greater site numbers and/or greater capacity utilisation as well as peak activity on the 700 MHz Clearance within Terrestrial Broadcast. Additionally, revenue growth was driven by the Group's smart energy metering network with increased activity in the year.

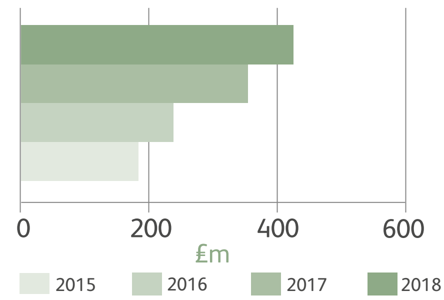
EBITDA



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

Result - EBITDA grew 9.5% from the prior year (2018: £517.5m; 2017: £473.5m) and demonstrates consecutive growth over the past four years with 7.1% on an annualised basis. The growth in the year outstripped the aforementioned revenue growth due to shifts in sales mix with reductions in lower margin business areas as well as cost saving initiatives becoming embedded in the cost base of the business.

Operating cash flow after capital and financial investment



Definition - Operating cash flow after capital and financial investment activities represents the cash generated after the spending required to maintain or expand its asset base. This is calculated as the net cash flow from operations minus the net cash flow from capital expenditure and financial investment. See page 24 for its reconciliation to net cash flow from operations.

Result - The cash generated was £413.1m, up 17.5% from the prior year; and representing annualised growth of 32.3% over the past four years.

Our customers…

Delivery on our customer promises

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

- The Smart Metering M2M contract, which went live in late 2016. Various improvements in the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub and network coverage has now reached c. 98% in line with requirements;
- 700MHz Clearance. As at 30 June 2018, work has been completed on 29 Main Station and 181 Relay sites. Main Station groundworks have commenced on 43 sites, 28 of which have completed Clearance events and Relay groundworks have been completed at 144 sites.
- The programme to increase UK DAB network coverage has been completed and all new services are now live.

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2018	99.99%	99.99%
2017	99.99%	99.99%
2016	99.99%	99.99%
2015	99.99%	99.99%
2014	99.99%	99.99%

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

Result - Through careful management Arqiva has consistently been able to achieve excellent levels of network availability.

Our people…

	Investors in people award
2018	Gold
2017	Silver
2016	Gold
2015	Gold
2014	Gold

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

Result - The regaining of the Gold award reflects our growing employee engagement. To achieve this Arqiva has demonstrated its commitment to our values, improved trust and visibility of senior leaders, clearer focus on how individual and team objectives align with business goals, focus on systems and process improvements.

Spotlight: Terrestrial Broadcast

c.1150
TV transmission sites

c.800[1]
radio transmission sites

4
DTT multiplex licences

Services delivered

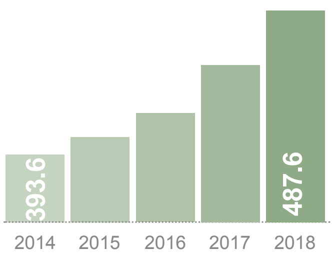
The Terrestrial Broadcast business unit provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90% of the UK's radio transmission, including ownership interests in the two commercial national digital radio multiplexes. Included within this business unit is the Group's DTT multiplex business, which owns and operates two of the three main national commercial digital terrestrial TV multiplexes, plus two DVB-T2 multiplexes (capable of providing additional services including HD content).

The 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.

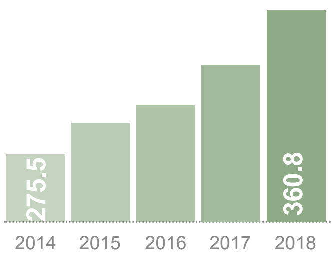
Our customers include...

Business snapshot

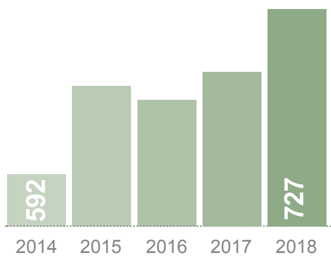
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Terrestrial Broadcast as a result of:

- DAB roll-out and increased transmission activity thereon;
- RPI-linked increases on broadcast service contracts.
- Increased activity in relation to the 700MHz Clearance programme; and

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

Market environment

The DTT platform, which is broadcast primarily under the Freeview brand name, continues to be very important. It remains attractive in the UK for Hybrid DTT / IP TV service where DTT remains the underlying delivery mechanism that has a core free-to-air linear content base with a variety of OTT services on-top.

It was announced in May that the UK has reached the 50 % milestone of digital radio listeners. This, combined with the completion of the DAB roll out places the business in a prominent position to support DAB as the long- term successor to analogue with any future decisions on the switch over from analogue radio broadcast.

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) so that it can be auctioned for use by the mobile network providers. This is a change that will be adopted across Europe, Africa, the Middle East and central Asia. The Group has contracted with the major broadcasters and Ofcom for the delivery of the programme.

Spotlight on 700MHz Clearance

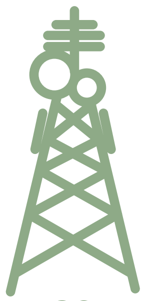
As a key driver of growth in the year, the 700 MHz Clearance programme has reached the peak of its activity and remains on track to deliver accelerated Clearance over the next few years.

Progress to the year-end includes:

Total 210 sites completed

Airworks

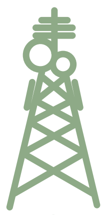
Main stations



29
completed

67
remaining sites

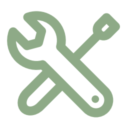
Relay stations



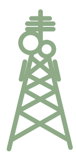
181
completed

708
remaining sites

Groundworks



43
In progress



47
Remaining sites

Spotlight: Telecoms & M2M

c.8,000
active licensed macro sites

46
In-building systems installed

>12million
Premises to be covered by our smart networks

c.229,000
municipal street furniture sites in 14 London Boroughs

Services delivered

Arqiva's physical infrastructure gives mobile operators access to circa 8,000 active sites forming the Group's core telecom tower business. Space on towers, in-building systems and street furniture are licensed to national MNOs and other wireless network operators to enable complete mobile communications networks ('site-share'). Arqiva also works with major mobile providers such as BT-EE, Vodafone, Telefonica O2 and Three UK to upgrade networks to support 4G and future mobile services such as 5G.

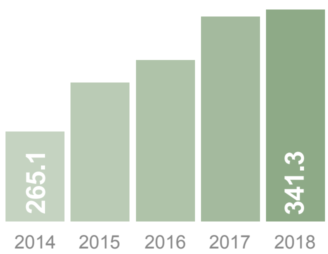
Arqiva is a UK host provider of indoor and outdoor Distributed Antenna Systems ('DAS') with 46 in-building systems installed in locations such as Canary Wharf and Excel London, and is a provider of outdoor small cells infrastructure with exclusive access to street infrastructure in four major UK towns and cities including 14 London Boroughs.

Utilising the Group's sites, Arqiva is building machine-to-machine networks as part of long-term contracts to provide a smart energy metering network for approximately 9.3 million premises in Scotland and the north of England, and a smart water metering network for customers in the south of England.

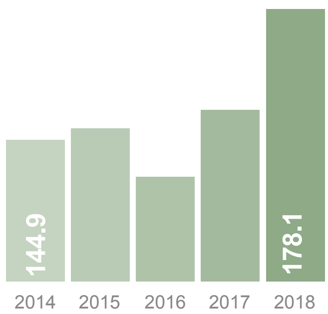
Our customers include...

Business unit snapshot

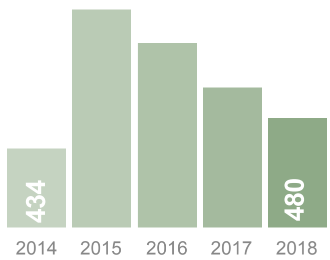
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Telecoms & M2M revenues and earnings principally as a result of:

- Continued increased revenues and earnings from the core telecoms towers business due to higher site assignments;
- Greater recurring revenues from incremental contract changes relating to the smart energy metering contract and incremental change requests agreed in the year;
- Although strong delivery on installation services programmes, volumes are decreasing in line with 4G rollout.

Market environment

In March 2018, Ofcom publicly announced that all four UK MNO's had met all of their coverage obligations that they were required to meet by 31 December 2017. As the rollout of 4G nears completion the market remains focused on its macro sites. There are opportunities in the industry to expand the footprint of sites and densification.

The Group continues to actively develop its outdoor small cells proposition. Arqiva's solution uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. The Group has received commercial contracts from two MNO's for initial phases of rollout and anticipates further trials in the near term.

In July 2017, Arqiva and Samsung Electronics launched the first field trial of 5G FWA (Fixed Wireless Access) 28GHz technology in the UK and Europe. Arqiva will continue to play a key role as new spectrum bands are deployed and is fully committed and well-placed to support the UK in its efforts to become 5G ready.

Spotlight: Satellite and Media

80 earth stations accessing >40 satellites

5 teleports

We deliver via satellite to 5 continents 24/7

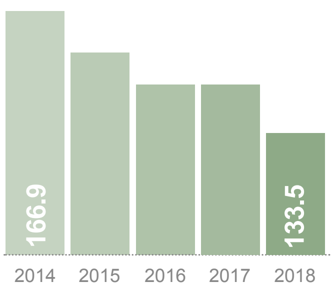
Services delivered

The Satellite and Media business unit provides a range of services to transmit and play-out content around the globe. It holds five award winning teleports which represent a significant barrier to entry in the market. Arqiva provides customers with up-linking and down-linking services to offer a satellite and fibre distribution network to distribute customers' data and programming, including c.50% of all channels on the Sky platform. Its media management services include the play-out of content, watermarking and advert placement, and connected TV services (including video on demand, streaming, metadata management and other over-the-top services). Additionally, it can offer secure and reliable satellite data communications to remote and hostile locations. These customisable end-to-end solutions are currently provided to energy and aeronautical organisations.

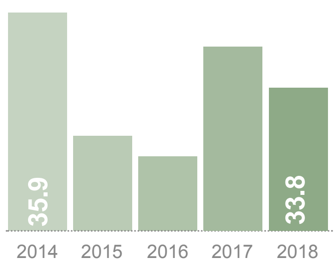
Our customers include...

Business snapshot

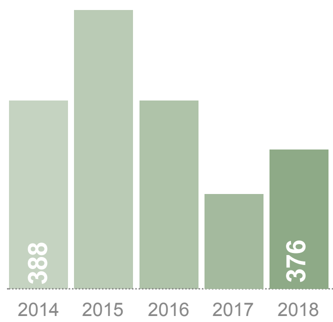
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



Satellite and Media continues to be a challenging market which has resulted in decreased revenue and earnings for the year. However, as an ever changing market there are new areas providing opportunities for growth going forward. During the year the business has experienced:

- Reduction in revenue and earnings from the termination of certain low margin contracts in the UK Direct-to-Home market place;
- Pricing pressures
- Foreign exchange gains in the prior year not repeated
- Contract novation's for satellite capacity as part of rationalisation of services;
- New HD channel sales growth; and
- New virtualised capabilities.

Market environment

The TV broadcasting market continues to see increased demand for HD channel services. Since the launch of the Sky+ HD box nine years ago, there are around nine million in operation today . HD services continue to be seen as business critical, with big shows attracting the largest audience shares and therefore commanding the largest advertising revenues.

Growth in other platforms also continues within the industry as customers continue to transition to using over-the-top services and Internet Protocol delivered content. The broadcast market has 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. This market offers opportunities to deliver flexible networks and cloud based solutions to deliver content in more dynamic ways.

Hybrid TV and virtualisation are growth areas in the market. Arqiva is a leader in virtualised services having launched a new consumer OTT service to provide core managed teleport and fibre services along with scalable IP streaming services.

[1]Per www.freeviewuk.net/sky_tv.php

Corporate responsibility

Arqiva endeavours to conduct its business in a way that benefits its customers, suppliers, employees, shareholders and the communities in which it operates. Three values are at the heart of the organisation. They were developed by the Group's employees and are therefore owned by its people.

Ingenious

Finding ingenious and smarter ways to support our customers

Straightforward

Talking and acting in a clear and straightforward way to make sure we're always effective and understood

Collaborative

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

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

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

The Group has four focus areas to ensure that it acts responsibly, ethically and safely in everything that we do.

1. Corporate focus – together we are stronger
2. Community focus – building community
3. Employee focus – supporting personal contribution
4. Business focus – being a responsible employer

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. The Group is always looking at new and innovative ways of driving down its carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. Additionally it investigates how emerging technologies and ingenious ways of working can help it and its customers become more environmentally friendly. As new technologies emerge and legacy equipment is replaced Arqiva looks for the most environmentally-friendly ways to dispose of redundant hardware.

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

In 2014, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification in relation to is Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its security-conscious culture and compliance with this internationally recognised standard. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

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

Employees

The average number of persons employed by the Group during the year was 2,088 (2017: 2,100). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

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

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

The Arqiva Employee Board has continued throughout the year. The AEB is a democratically elected Board that acts as a voice for employees across Arqiva and provide a clear and direct link between the Group's employees and Senior Executive Management. The AEB continues to meet on a monthly basis to discuss key matters such as performance management, or efficiencies and process in order to develop responsive action plans. The AEB (as well as the Senior Executive Management) also interacts with representatives of BECTU regarding employee matters.

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

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

The Group wants all of its employees to benefit from its success and growth as a business. The annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with the values. The scheme takes into account the targets that have been set by the Group and then multiplies this by a personal performance rating. The Group must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the financial KPIs of EBITDA and operating cash performance. The bonus payment for the 2018 financial year will be made in September 2018. In addition, certain members of senior executive management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the long-term incentive plan period. As with the annual bonus scheme, the Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plans which is then calculated based upon the 3 year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

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

	Female Number / %	Male Number / %
Board of Directors	3 / 23 %	10 / 77 %
Senior Executive Management	-	6 / 100 %
Group Employees	584 / 28 %	1,504 / 72 %

Corporate responsibility

Gender Pay Gap

In March, Arqiva published our first gender pay gap report including details on why we have a pay gap and the actions we are taking. The full report is available on the Company website at www.arqiva.com.

Charitable donations, community and social activities

During the year, the Group made a number of charitable donations including to local charities and those that matter to Arqiva's people. Contributions were made as part of a matched funding scheme to match employee fundraising for charitable events in which they participate. The Group also supports the Give as you Earn scheme, working in partnership with the Charities Aid Foundation which manages the scheme. Arqiva's 'Connected Communities' programme also supports colleagues to take part in volunteering activities for local charities.

Arqiva is connected with universities and schools to invest in the future of Science, Technology, Engineering and Maths (STEM). The Group has active intern, apprentice and graduate schemes and STEM ambassadors who support local schools and encourage visits from schools to Arqiva's main sites to stimulate their interest in STEM subjects as a key step to their future career.

Arqiva supports both the Armed Forces Covenant and Walking with the Wounded. The Armed Forces covenant assists getting former armed forces personnel in getting back in to the civilian workforce through attendance at military careers fairs and training days. The Group supports Walking with the Wounded through fundraising and operational support for the work they do.

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in supply chains. The full statement is included on page 39 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

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

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which it operates. The total contribution to UK tax receipts including business rates and NI paid by both Arqiva and employees, totalled £76.6m 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 less than 1% of operating profit and there are no tax planning activities undertaken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of the UK. The Group's small trading entities overseas deal directly with customers in their area of residence and fulfil their tax requirements in the local jurisdictions.

This report was approved by the Board of Directors on 6 September 2018 and signed on its behalf by:

Paul Dollman, Director
6 September 2018

Modern Slavery Act: Slavery and Human Trafficking Statement

Overarching Statement

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

Organisation's Structure

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

Arqiva Limited and Arqiva Services Limited, and their respective subsidiaries, and Arqiva Smart Metering Limited are part of the Arqiva group which has its head office in the UK. We have over 2,000 employees and operate in the UK, Ireland, mainland Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited (including their respective subsidiaries) and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36.0 million.

Our Supply Chains

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

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

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

Our Policies on Slavery and Human Trafficking

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

Due Diligence Processes for Slavery and Human Trafficking

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

- Aim to identify and assess potential risk areas in our own business and our supply chains;
- Mitigate the risk of slavery and human trafficking occurring in our own business and our supply chains;
- Monitor potential risk areas in our own business and our supply chains;
- Where possible build long standing relationships with suppliers and make clear our expectations of their business behaviour;
- Require our suppliers to comply with the Modern Slavery Act 2015 and have their own suitable anti-slavery and human trafficking policies and processes; and
- Encourage the reporting of concerns and support the protection of whistle blowers.

Supplier Adherence to our Values

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

Our Procurement Director is currently responsible for compliance with the Modern Slavery Act 2015 and for the supplier relationships.

Training

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

Our Effectiveness in combating Slavery and Human Trafficking

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

- Use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct;
- Use of our payroll systems.

Steps taken during the financial year to 30 June 2018

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

a) We have implemented a new e-procurement system, as part of which all of our existing suppliers have been or will be required to go through a re-qualification process (to date 99.4% of suppliers by spend in the last financial year are in the process of, or have completed, this exercise.) This includes revised background checks and further confirmation that suppliers adhere to our Supplier Code of Conduct, which covers modern slavery and human trafficking. In addition, all incoming suppliers now go through the e-procurement system requiring these confirmations at the outset of the contractual relationship.

b) Our suite of compliance policies (both internal and external), including our Whistleblowing policy and Supplier Code of Conduct have been reviewed and updated by external lawyers.

c) We have reviewed our training requirements for compliance matters, including slavery and human trafficking, and a new e-learning has been selected, which includes specific training on slavery and human trafficking.

d) We continue to regularly review our template Supply Contracts and standard Terms & Conditions to ensure appropriate provisions are included when new contracts are entered into.

Statement

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Services Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2018.

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

Governance

Board of Directors and Senior Executive Management

Ownership

The Company is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board (48%), Macquarie European Infrastructure Fund II (25%) plus other Macquarie managed funds (1.5%), Health Super Investments Pty Limited (5.5%), IFM Investors (14.8%) and the Motor Trades Association of Australia (5.2%). There is no ultimate controlling party of the Company, as defined by IAS 24 'Related parties'.

There are two investor companies which are related parties with the Group, in accordance with IAS 24, by virtue of significant shareholding in the Group:

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

Board committee membership

A	Audit and Risk Committee
N	Nomination Committee
R	Remuneration Committee
O	Operational Resilience
☐	Committee Chairman

Arqiva Board of Directors

The Group's Board of Directors[1] is comprised of the following officers who were in office during the year and up to the date of the signing of the annual report and financial statements:

Mike Parton, Chairman

Mike has brought a wealth of experience from his background in telecoms and technology. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi.

A N R O

Paul Dollman, Independent Non-Executive and Audit Committee Chairman

Paul is a Chartered Accountant and was Group Finance Director of John Menzies plc for over ten years until May 2013. Prior to that he was Group Finance Director of William Grant and Sons Ltd and previously held several senior finance positions. He is a Non-executive Director of Scottish Amicable Life Association Society and is Audit Committee Chairman of Wilmington plc and Verastar. He is also a member of the Audit Committee of The National Library of Scotland.

A

Sally Davis, Independent Non-Executive Director

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

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

R

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

Arqiva Board of Directors (continued)

Simon Beresford-Wylie, Chief Executive Officer

Simon brings a wealth of experience gained from over 30 years in the information technology, broadcast and telecoms sector.

He previously helped guide the strategy and operations of Samsung Electronics' network business in Seoul, Korea. Prior to this he was CEO of UK-based Digital Mobile Spectrum Limited (DMSL) – also known as At800 – which was established as a 4G licence condition by Ofcom and is responsible for mitigating interference issues that arise as a consequence of the co-existence of DTT television and 4G mobile in the 800MHz band.

Between 2009 and 2012, Simon was CEO of Elster Group (SE). He led the company through a period of growth and also a successful listing on the New York Stock Exchange. Additionally 11 years with the Nokia Corporation saw him latterly serving on the Group Executive Board responsible for the Group's Network Business. He was also the founding CEO of Nokia Siemens Networks which today accounts for around 90% of Nokia's global revenues and profits.

Jane Aikman, Chief Financial Officer

Jane was appointed as Chief Financial Officer in July 2018. Jane has previously held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies. Immediately prior to joining Arqiva, Jane was CFO of KCOM Group plc, a listed communications services and IT solutions provider. Prior to KCOM, Jane was CFO and Chief Operating Officer of Phoenix IT Group plc until its acquisition by Daisy Group in 2015. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. She holds a civil engineering degree and is a member of the Institute of Chartered Accountants in England and Wales.

Jane's experience is instrumental in ensuring that we maintain our strong financial performance, where efficiency gains and revenue growth continue to underpin our strong market position and leading product offerings.

Appointed by Frequency Infrastructure Communications Assets Limited:

Martin Healey, Director

Martin was appointed to the Board on 23 April 2018. Martin heads up the Real Assets Strategy Group at Canada Pension Plan Investment Board. He is a member of CPPIB's global committee for equity investments into real estate, infrastructure and power & renewables, as well as real estate debt.

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

Neil King, Director

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

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

A N R O

Peter Adams, Director (alternate)

Peter is a Principal in the Infrastructure group at CPP Investment Board, based in London.

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

Board of Directors and Senior Executive Management

Appointed by Macquarie European Infrastructure Fund II:

Nathan Luckey, Director

Nathan is a Managing Director in Macquarie Infrastructure and Real Assets, and holds a number of non-executive directorship roles for companies within MIRA's investment portfolio. Nathan is a qualified Mechanical Engineer, with expertise across the utilities, telecommunications, transportation and media sectors.

O

Mark Braithwaite, Director

Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seeboard plc. Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.

A N R

Appointed by IFM Investors:

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.

A N R O

Deepu Chintamaneni, Director (alternate)

Deepu is responsible for the origination and execution of infrastructure transactions, and asset management of existing investments. Prior to IFM Investors, Deepu worked in the Infrastructure and Energy Finance group at Citigroup in New York where she advised and provided financing for transactions across various infrastructure sectors.

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

Damian Walsh, Director

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

A R O

Board of Directors and Senior Executive Management

Senior Executive Management
(also includes the Chief Executive Officer and the Chief Financial Officer on page 44)

David Crawford, Managing Director, Telecoms & M2M

- Appointed **Arqiva** Telecoms & M2M in April 2018, previously managing Director of our Satellite and Media business
- Commercial leadership roles at **Cable & Wireless** and **Capita**
- Other previous positions at **Jardine Matheson** and **Bain**

Steve Holbrook, Managing Director, Terrestrial Broadcast

- **Arqiva** since 1995, heading Terrestrial Broadcast previously including Satellite
- Other previous positions at **Mercury Communications, Kingston Satellite Services, British Aerospace** and **British Telecom International**

Alex Pannell, Managing Director, Satellite and Media

- **Arqiva** since 2012, appointed Satellite and Media head in April 2018
- Director in **BT Wholesale**
- Other previous positions at **Concert Communications**

Matthew Brearley, Director of People and Organisation

- **Arqiva** since February 2012
- **Vodafone UK** HR & Property Director
- B&Q Director of Retail HR
- Other previous positions at **Associated British Foods** and **Exxon Corporation**

Clive White, Group Transformation Director

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

Jeremy Mavor, General Counsel

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

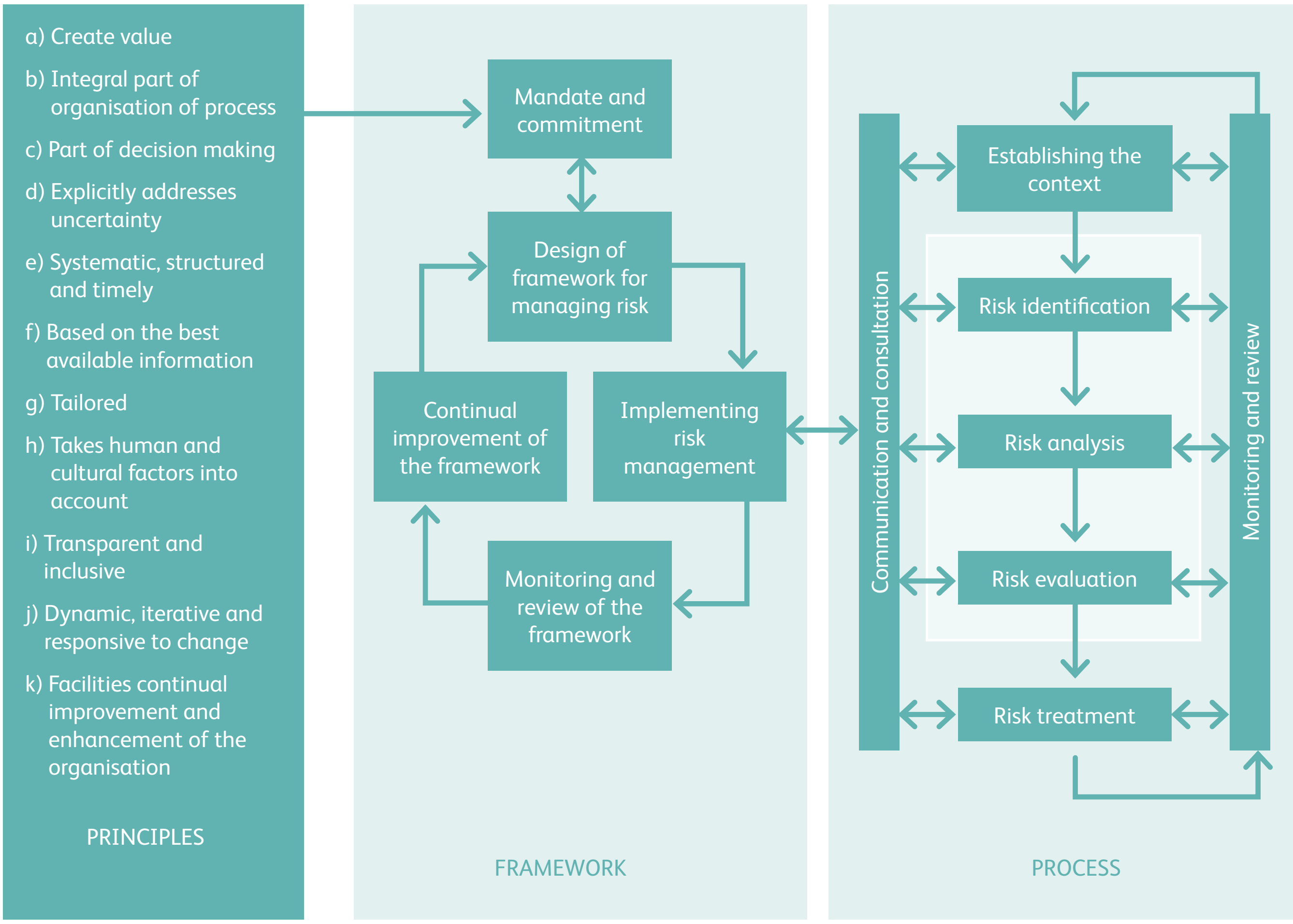
Principal risks and uncertainties

Arqiva's approach to risk management is as follows:

- Arqiva recognises that the effective management of risk is essential to achieve its business objectives.
- Arqiva adopts an ERM[1] approach, which is recognised as 'best practice' for top performing companies.
- Managing risk is a core responsibility of management at all levels and is a key component of governance and compliance.
- Arqiva aims to embed risk management principles into the culture of the organisation.

Enterprise wide management of risk is important for Arqiva to meet its corporate objectives and for it to protect future competitive advantage. The strategic importance of risk management is recognised by top performing companies and is an important part of good corporate governance. Arqiva subscribes to the Enterprise Risk Management approach to managing its risk profile.

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



1 ERM refers to Enterprise Risk Management

The Managing Director of each business unit has responsibility for maintaining and updating their line of business risk register, which includes utilising the standardised approach to risk assessment and risk monitoring. The Group's centralised Audit and Risk function provides training and support to ensure risks are captured effectively and on a timely basis. Risks are formally discussed with the Chief Executive Officer as part of the existing quarterly business performance reviews highlighting the significance of the link between performance and effective risk management. The Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Senior Executive Management and Audit Committee meetings. The Senior Executive Management takes recommendations for ensuring the risk management framework remains effective going forward.

Business Unit Management:

First defence is the day to day controls and processes put in place by management to identify risks and develop mitigating actions.

Senior Executive Management:

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

Audit and Risk function / Audit committee:

Independent business assurance provided over the effectiveness of the Group's system of internal controls and processes, and the effectiveness of the risk management framework.

Principal risks and uncertainties

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

*Business units have been abbreviated as follows: Terrestrial Broadcast ('TB'), Telecoms & M2M ('T'), Satellite and Media ('SM')

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Reputational	All	Bad publicity damages Arqiva's reputation and its ability to do business as a result of: ▸ A major event or incident impacting our services; ▸ Untimely delivery on major projects; ▸ Repeated unexpected service outages; ▸ Security breach on networks; or ▸ Major network or equipment failure or obsolescence.	The Group carefully engages with its customers to ensure that project milestones are carefully managed and management regularly review the progress status of all projects. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. The Group continues to invest in its infrastructure, typically spending in excess of £150m per annum.	Arqiva has continued to achieve its target result for 'network availability' (see page 28). Arqiva has continued to meet its contractual milestones on its major contractual programmes, e.g. smart energy metering (see page 31). The Group maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety and site security.	During the year, Arqiva maintained its compliance with OHSA518001 regarding safety management.
Technological	TB, SM	Developments in alternative broadcast technologies, such as internet connected TV, which competes against the Group's DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition Arqiva has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its involvement in Freeview Play. Arqiva has been rolling out national and commercial local DAB in line with its 'New Radio Agreement' with the BBC and government targets which helps to ensure it remains at the forefront of this future technological change.	In May, digital radio listening figures passed the 50% mark expected to trigger a review in to timeframe for full analogue switchover. Arqiva has completed the roll out of its DAB network towards the end of the calendar year, and consequently remains in a strong position to support a future switch over. During the year, Arqiva has invested in new virtualised capabilities within its Satellite and Media business.

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Political	T, TB	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes. The uncertainty over a deal for Britain's exit from the European Union heightens the uncertainty over future policy and economic conditions.	Arqiva maintains regular dialogue with its stakeholders to ensure the delivery of its programmes are efficient , timely and to specification. Where specification changes occur Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of those costs through mechanisms in its contracts. Arqiva's assets and operations remain predominantly in the UK and therefore its business has minimal exposure to the changing relationships with international markets. Additionally we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope change requests on its smart energy metering programme with its customer demonstrating the customer's continued focus on network roll out.
Operational	All	Information, networks and systems, or communications infrastructure may be subjected to cyber security threats leading to a loss or corruption of data and/or impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	The Group maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Group's approach to disaster recovery and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass its quarterly security reviews and has consequently retained its ISO certification.
	TB, T	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of its major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customer to ensure that these requirements are sufficiently available.	Arqiva has continued to meet its contractual milestones on its major contractual programmes, e.g. smart energy metering and 700MHz Clearance (see page 17).
	All	Customer relationships, operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of its people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for its leadership team. Additionally the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention.
Demand	T	The level of demand for wireless communications and impact on demand for access to the Group's towers.	The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand.	Arqiva is continuing to support the MNOs in focussing on products essential to their strategy. Arqiva has seen significant improvements in customer engagement in the year demonstrating delivery and service excellence to retain status of being a trusted and preferred supplier.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 53.		

Directors' report

The Directors of Arqiva Group Limited ('AGL'), registered company number 05254001, ("the Company") and its subsidiaries ("the Group") submit the annual report and audited consolidated financial statements ("financial statements") in respect of the year ended 30 June 2018.

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

The Directors' report for the Company is set out on page 51.

Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 47). As a result of these, as well as the on-going business activities and strategy of the Group,

Arqiva is exposed to a variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

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

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants, however the Group has elected not to apply hedge accounting. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate 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.
Financing risk	The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date. With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Group is exposed to credit risk on customer receivables.	This is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectible debts.
	The Group is exposed to counterparty risks in its financing operations.	The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2018 the Group had £10.3m cash and £335.0m available undrawn facilities to meet planned growth and working capital requirements. In addition, the Group has £250.0m of liquidity facilities available to cover senior interest payments if required. The Board consider the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Purchase price risk	Energy is a major component of the Group's cost base and is subject to price volatility.	A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated private placement notes. Details of the cross currency swaps are provided in note 25.

Directors' report

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 47).

Audit and Risk Committee

The Audit and Risk Committee is chaired by Paul Dollman, an independent non-executive director, and includes representation from the Board of Directors. The Audit Committee monitors the integrity of the Group's financial statements and the effectiveness of the external audit process. It has the responsibility for ensuring that an appropriate relationship exists between the Group and the external 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 finding and recommendations to it.

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

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditor, the Chief Executive Officer, the Chief Financial Officer and representatives from the business as required.

Later this year the Board plan to rotate the role of Chairman of the Audit and Risk Committee. Frank Dangeard will be joining Arqiva as an independent non-executive director and he will, after a period of handover, become Chairman of the Committee.

During his executive career in the telecom, media and technology sector, Frank Dangeard has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. Prior to that, he was Chairman of SG Warburg France and a Managing Director of SG Warburg. He is a member of the boards of Symantec (US), RPX (US) and the RBS Group (UK). Previously he served on the boards of Crédit Agricole CIB, Home Credit, Electricité de France, Orange, SonaeCom and as Deputy Chairman of Telenor. A graduate from Ecole des Hautes Etudes Commerciales (Prix Jouy-Entreprise), the Paris Institut d'Etudes Politiques (Lauréat) and the Harvard Law School (HLS Fellow, Fulbright Scholar).

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.

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 auditors. The Committee makes an assessment of the auditors' independence and objectivity taking into account the relationship with the auditor as a whole, including the provision of any non-audit services.

PricewaterhouseCoopers LLP were re-appointed as external auditors in 2016 following a competitive tender process.

The auditors have provided certain non-audit services, principally in relation to transaction support services, non-audit assurance and tax compliance. The Audit Committee discusses all non-audit services with the auditors in advance of commencement of work to confirm acceptability and ensures that appropriate safeguards of audit independence are established and applied.

Remuneration Committee

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

Nomination Committee

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

Operational Resilience Committee

The Operational Resilience Committee, chaired by Mike Parton, has oversight of the adequacy and effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health

Directors report

and environment ('SHE') matters affecting the activities of the Group). This includes consideration and risk management of areas of significant and individual cyber security, physical security, business continuity and SHE risk.

Equal opportunities policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability. Further information on how Arqiva supports its employees can be found on page 36.

Political donations

No political donations were made during the year (2017: 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. The research costs expensed in the year were £4.3m (2017: £2.9m). 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 £2.7m (2017: £2.7m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within property, plant and equipment. The Group's capital expenditure in the year was £175.4m (2017: £177.0m) and includes capitalised labour of £51.5m (2017: £56.7m). Other development costs would be capitalised within intangible assets. In the year, development costs capitalised total £5.6m (2017: £5.9m), with amortisation of £2.8m (2017: £2.1m) charged against such capitalised development costs.

Overseas branches

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

Events after the reporting date

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

Dividends and transfers to reserves

The Company has declared no dividends in the year (2017: none). Group companies which include a non-controlling interest, Now Digital (East Midlands) Limited and South West Digital Radio Limited, declared dividends in the year of £0.3m and £0.1m respectively (2017: none declared). The consolidated profit for the year of £298.6m (2017: loss of £179.4m) was transferred to reserves.

Going Concern

The Strategic report includes information on the structure of the business, our business environment, financial review for the year and uncertainties facing the Group. Notes 21,23 and 25 of the consolidated financial statements include information on the group's cash, borrowings and derivatives; and financial risk management information presented within this report.

The directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements, including repayment of borrowings, 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.

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 15.

Ownership and Directors

A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 43.

At 30 June 2018, Mike Parton was the Group's independent Chairman. Jeremy Mavor is the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 43.

Details of the statutory directors of the Company are shown on page 122.

Directors Indemnities

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

Disclosure of information to the Independent Auditors

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

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

On behalf of the Board

Paul Dollman
Director
6 September 2018

Statement of Directors' responsibilities

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Group financial statements

Company financial statements

Independent Auditors' report to the Members of Arqiva Group Parent Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Group Parent Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the Group and Company financial statements (together the 'financial statements'), included within the Annual Report, which comprise: the Consolidated statement of financial position and the Company statement of financial position as at 30 June 2018; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach
Overview

- Overall Group materiality: £15.6m (2017: £15.5m) – Group financial statements.
- Based on 5% of profit before interest, tax, exceptional items and other gains and losses.
- Overall Company materiality: £50.6m (2017: £49.8m) - Company financial statements.
- Based on 1% of total assets.

- For the Group financial statements we performed an audit of the complete financial information of 6 reporting units.
- The audit work performed gave us coverage of 91% of revenue and 97% of profit before interest, tax, other gains and losses and exceptional items.
- All entities have been audited by the Group team and hence no component auditor has been involved in the audit of the consolidated financial statements.

- Revenue and profit recognition on complex contracts (Group).
- Accruals and provisions, including amounts relating to infrastructure and bonuses and decommissioning of sites (Group).
- Valuation of financial instruments (Group).
- Classification of exceptional items (Group).
- Impairment of intangible assets and goodwill (Group) and investments in subsidiaries (Company only).
- Recognition of deferred tax asset (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition on complex contracts (Group) Refer to page 74, page 81 and page 84 (note 3- significant accounting policies – revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty – revenue recognition and note 5 – revenue and segmental information). The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include smart metering contracts, contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result, the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining the separate deliverables, the related revenue and costs to complete and therefore the margin to be recognised	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2018 and for all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the separate contract elements were separately identified and performed testing over the amounts of revenue allocated to each element to ensure this was appropriate. We assessed the revenue profit margins for consistency with contract costs by considering the costs incurred to date and forecast for the relevant deliverable. We also compared this to the consistency of past and future gross margins, obtaining explanations for variations where necessary. For each element we assessed the extent of performance of deliverables that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, and assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery and validated this to the signed contract variation addendums We assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IAS 18 Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.
Accruals and provisions (Group) Refer to page 82 and page 112 (note 4- critical accounting judgements and key sources of estimation uncertainty – provisions and contingent liabilities and note 26 –provisions). Arqiva's business results in recognising complex accruals and provisions including those related to	On a sample basis, we tested the accounting for accruals and provisions to supporting documentation and have challenged management where judgement has been applied, to corroborate the reasonableness of assumptions made with either historic performance or alternative evidence.

Key audit matter	How our audit addressed the key audit matter
infrastructure across the extensive asset portfolio, various bonus accruals and decommissioning provisions. As there is an element of estimation involved, there is considered to be a risk that these balances may not be appropriately determined.	This included: For rent, rates and power understanding the processes for identifying and aggregating accruals and testing on a sample basis for accuracy and completeness by testing to supporting documentation; For the decommissioning provision we obtained management's calculations and assumptions and confirmed that the methodology is appropriate. We then assessed the reasonableness of the assumptions in conjunction with the asset plan, decommissioning cost estimates and actual experience, and the appropriateness of the discount rate; For bonuses we tied the assumptions included to the current year outcome and, where also relevant, to the long term plan which has been approved by the board. From our work performed, we have not identified any material differences or where the rationale for recognition of an accrual/provision was not considered appropriate.
Valuation of financial instruments (Group) Refer to page 77, page 83 and page 110 (note 3- significant accounting policies – financial instruments, note 4- critical accounting judgements and key sources of estimation uncertainty – fair value measurements and valuation processes and note 25 – derivative financial instruments). The Group holds a number of derivative financial instruments comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of those instruments using valuations provided by the counter party institutions with adjustments made by management for counter party credit risk. This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved.	We engaged PwC valuations experts to assist with the audit of the counter parties' valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. This recalculated the fair value using the internal PwC valuation model for every instrument which was then compared to the amount recognised in the financial statements. There were no material differences arising between the Group fair values of derivative financial instruments recognised and our valuations.
Classification of exceptional items (Group) Refer to page 89 (note 7 – exceptional items). Costs of £9.4m have been classified as exceptional items in the current year financial statements.	We assessed the disclosed accounting policy for compliance with accounting standards and for consistency of application. We scanned the listing of exceptional items for costs that appeared unusual to us in the context of the accounting policy and tested a sample of items

Key audit matter	***How our audit addressed the key audit matter***
One of the Group's financial reporting KPIs is EBITDA prior to exceptional items. There is a risk *that some non-exceptional costs could have been incorrectly classified as exceptional costs*	to assess whether such items were appropriately classified. We considered our knowledge of the business, one-off transactions that have occurred during the year and results of other audit procedures to gain comfort over completeness of the exceptional items. Our testing did not identify any material misstatements in the amounts or presentation of exceptional items.
Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company only) Refer to page 82 and page 94 (note 4- critical accounting judgements and key sources of estimation uncertainty – Impairment of goodwill and note 14 –goodwill) and page 127 (note 3 – Investments). IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of all indefinite lived intangible assets, such as goodwill. The Group's intangible assets and goodwill are material, amounting to £2,039m and the impairment reviews performed over these include a number of assumptions which are subject to management judgement. The Company has significant investments in subsidiaries of £3,493m.	We obtained an understanding of the allocation of goodwill to business units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the reliability of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of intangibles and goodwill for each business unit. These included the assumptions on revenue and cost growth, capital expenditure and the discount rate used. We involved our PwC valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and confirmed this was calculated using an acceptable methodology and in line with what we would expect. We reviewed management's sensitivity analysis and performed our own sensitivity analysis considering various scenarios impacting key assumptions, including forecast cash flows, terminal growth rate and discount rates. Based on this testing, we considered whether the carrying value of these intangibles was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. For the Company's investment in subsidiaries we have compared the net assets of the subsidiary at 30 June 2018 with the carrying value of the investment. For any subsidiaries where net assets do not exceed the carrying value, for example the entities which hold the Group's debt, we have looked further down the Group hierarchy at the subsidiaries held by that entity and confirmed that, by taking into account the net assets of these, the carrying value of the investment held in the Company is supported.

Key audit matter	How our audit addressed the key audit matter
	We also considered for both the Group and Company whether there are any further indicators which would cause there to be an impairment and found that to be unlikely. We also considered for both the Group and Company whether there are any further indicators which would cause there to be an impairment and found that to be unlikely.
Recognition of deferred tax asset (Group) Refer to page 81 (note 4 – Critical accounting judgements and key sources of estimation uncertainty – deferred tax) and page 101 (note 20 – Deferred tax). In the current year a deferred tax asset of £206.1 m has been recognised following the introduction of legislation which restricts interest deductions. A further £31.8m of potential deferred tax assets have not been recognised as they are not considered to be recoverable. There are management judgements involved in the determination of the elements of the deferred tax asset to recognise and the value of that recognition, including the extent to which there are foreseeable taxable profits.	We obtained management's detailed workings which set out the various elements of the deferred tax asset and rationale as to why these should or shouldn't be recognised and assessed the appropriateness of this in conjunction with our taxation specialists. We challenged management's assumptions in relation to tax losses and the evidence available to support the recognition of losses arising in various entities including consideration of whether specific steps are required in order to enable the value of the losses to be realised and the stage of Arqiva's steps towards recovery. We obtained management's forecast of taxable profits and agreed those to the approved long term plan. The calculations of the forecast taxable profits were reviewed, and an analysis of the sensitivity of the utilisation horizon to variations in EBITDA was considered. As a result of our work performed no material differences were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2018.

How we tailored the audit scope

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

Arqiva Group Limited's business is carried out through two principal trading subsidiaries, aligned into three customer-facing business units; Terrestrial Broadcast, Telecoms & M2M and Satellite and Media, supported by the Group's corporate functions. In addition there are a number of entities which provide financing to the operations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£16.5m (2017: £15.5m).	£50.6m (2017: £49.8m).
How we determined it	5% of profit before interest, tax, exceptional items and other gains and losses.	1% of total assets.
Rationale for benchmark applied	Based on our professional judgement, profit before interest, tax, exceptional items and other gains and losses is an appropriate measure to assess the performance of the Group, and is a generally accepted auditing benchmark.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1m and £15.7m.

Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75m (Group audit) (2017: £0.5m) and £0.75m (Company audit) (2017: £0.5m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
6 September 2018

Consolidated income statement

	Notes	Year ended 30 June 2018 Pre-exceptional items £m	Exceptional items £m	**Total £m**	Year ended 30 June 2017 Pre-exceptional items £m	Exceptional items £m	**Total £m**
Revenue	5	962.4	-	962.4	941.3	-	941.3
Cost of sales		(323.0)	-	(323.0)	(353.5)	-	(353.5)
Gross profit		**639.4**	-	**639.4**	**587.8**	-	**587.8**
Depreciation	16	*(163.7)*	-	*(163.7)*	*(141.6)*	-	*(141.6)*
Amortisation	15	*(16.7)*	-	*(16.7)*	*(12.6)*	-	*(12.6)*
Impairment	15,16	*(4.4)*	-	*(4.4)*	-	-	-
Other operating expenses[1]	7	*(121.8)*	*(9.5)*	*(131.3)*	*(114.4)*	*(29.5)*	*(143.9)*
Total operating expenses		(306.6)	(9.5)	(316.1)	(268.6)	(29.5)	(298.1)
Other income		4.6	-	4.6	1.1	-	1.1
Share of results of associates and joint ventures	17	0.2	-	0.2	0.3	-	0.3
Operating profit	6,7	**337.6**	(9.5)	**328.1**	**320.6**	(29.5)	**291.1**
Finance income	9	1.7	-	1.7	3.5	-	3.5
Finance costs	10	(347.9)	-	(347.9)	(340.8)	-	(340.8)
Other gains and losses[1]	7,11	92.3	0.1	92.4	(112.5)	(20.6)	(133.1)
Profit/(loss) before tax		**83.7**	(9.4)	**74.3**	**(129.2)**	(50.1)	**(179.3)**
Tax	12			224.3			(0.1)
Profit/(loss) for the year				**298.6**			**(179.4)**
Attributable to:							
Owners of the Company				298.2			(179.6)
Non-controlling interests				0.4			0.2
				298.6			**(179.4)**

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

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

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Consolidated statement of comprehensive income

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit/(Loss) for the year		**298.6**	**(179.4)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	30	10.8	(0.5)
Movement on deferred tax relating to pension schemes		(1.8)	-
		9.0	**(0.5)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		0.2	(0.5)
Total other comprehensive income/(expense)		**9.2**	**(1.0)**
Total comprehensive profit/(loss)		**307.8**	**(180.4)**
Attributable to:			
Owners of the Company		307.4	(180.6)
Non-controlling interests		0.4	0.2
		307.8	**(180.4)**

Consolidated statement of financial position

	Note	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Goodwill	14	1,980.6	1,980.6
Other intangible assets	15	59.0	48.9
Property, plant and equipment	16	1,750.2	1,770.2
Deferred tax	20	206.1	-
Retirement benefits	30	20.6	7.1
Interest in associates and joint ventures	17	0.1	5.1
		4,016.6	**3,811.9**
Current assets			
Trade and other receivables	18	302.5	289.8
Cash and cash equivalents	21	10.3	7.1
		312.8	**296.9**
Total assets		**4,329.4**	**4,108.8**
Current liabilities			
Trade and other payables	22	(1,462.3)	(1,391.9)
Borrowings	23	(137.3)	(99.2)
Provisions	26	(2.8)	(18.8)
		(1,602.4)	**(1,509.9)**
Net current liabilities		**(1,289.6)**	**(1,213.0)**
Non-current liabilities			
Other payables (including deferred revenue)	22	(276.5)	(159.4)
Borrowings	23	(2,720.4)	(2,876.0)
Derivative financial instruments	25	(1,030.8)	(1,179.7)
Provisions	26	(64.8)	(57.0)
		(4,092.5)	**(4,272.1)**
Total liabilities		**(5,694.9)**	**(5,782.0)**
Net liabilities		**(1,365.5)**	**(1,673.2)**
Equity			
Share capital		0.1	0.1
Accumulated losses		(1,486.8)	(1,794.0)
Merger reserve		(188.5)	(188.5)
Capital contribution reserve		311.9	311.9
Translation reserve		(3.1)	(3.3)
Total equity attributable to owners of the Parent		(1,366.4)	(1,673.8)
Non-controlling interest		0.9	0.6
Total equity		**(1,365.5)**	**(1,673.2)**

These financial statements on pages 66 to 121 were approved by the Board of Directors and authorised for issue on 6 September 2018. They were signed on its behalf by:

Paul Dollman – Director

Consolidated statement of changes in equity

	Note	Share capital* £m	Accumulated losses £m	Merger reserve £m	Capital contribution reserve £m	Translation reserve £m	Total Equity attributable to owners of the Parent £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2016		**0.1**	**(1,613.9)**	**(188.5)**	**311.9**	**(2.8)**	**(1,493.2)**	**0.4**	**(1,492.8)**
Loss for the year		-	(179.6)	-	-	-	(179.6)	0.2	(179.4)
Other comprehensive losses		-	(0.5)	-	-	(0.5)	(1.0)	-	(1.0)
Total comprehensive (loss)/profit		-	(180.1)	-	-	(0.5)	(180.6)	0.2	(180.4)
Balance at 30 June 2017		**0.1**	**(1,794.0)**	**(188.5)**	**311.9**	**(3.3)**	**(1,673.8)**	**0.6**	**(1,673.2)**
Profit for the year		-	298.2	-	-	-	298.2	0.4	298.6
Other comprehensive income		-	9.0	-	-	0.2	9.2	-	9.2
Total comprehensive income		-	307.2	-	-	0.2	307.4	0.4	307.8
Dividends paid	13	-	-	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2018		**0.1**	**(1,486.8)**	**(188.5)**	**311.9**	**(3.1)**	**(1,366.4)**	**0.9**	**(1,365.5)**

*Comprises 50,001 (2017: 50,001) authorised, issued and fully paid ordinary shares of £1 each.

Consolidated cash flow statement

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net cash inflow from operating activities	27	**572.1**	**489.7**
Investing activities			
Interest received		1.5	0.5
Purchase of tangible assets	5	(161.4)	(151.0)
Purchase of intangible assets	5	(3.7)	(10.3)
Interest element of finance lease rentals		(1.0)	(1.0)
Sale of tangible assets		0.3	-
Proceeds on disposal of investments		5.2	-
Loans to joint ventures		0.6	-
Sale of subsidiary undertakings		-	23.2
		(158.5)	**(138.6)**
Financing activities			
Raising of external borrowings	23	-	554.5
Repayment of external borrowings	23	(124.3)	(573.5)
Repayment to parent undertakings		(57.0)	(57.0)
Repayment of finance lease capital	23	(0.4)	(0.4)
Movement in borrowings		(181.7)	(76.4)
Interest paid		(170.1)	(179.4)
Cash settlement of principal accretion on inflation-linked swaps	25	(58.6)	(53.4)
Debt issue costs and facility arrangement fees		-	(12.5)
Cash outflow on close out of swap arrangements		-	(36.0)
Proceeds on disposal of swap options		-	3.2
		(410.4)	**(354.5)**
Increase/(decrease) in cash and cash equivalents		**3.2**	**(3.4)**
Cash and cash equivalents at the beginning of the financial year		7.1	10.5
Cash and cash equivalents at end of year	21	**10.3**	**7.1**

Notes to the Group financial statements

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

Arqiva Group Parent Limited ('AGPL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 08085794. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2018 comprise the Company and its subsidiaries (together the "Group").

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

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 122 to 130.

2 Adoption of new and revised Standards

New and revised Standards

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

Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses
Annual improvements 2014-2016 cycle	Includes amendments to IFRS 12
Amendments to IAS 7	Disclosure initiatives relating to cash flow statements

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
IFRS 9	Financial instruments (2014)	1 January 2018	30 June 2019
IFRS 15	Revenue from contracts with customers	1 January 2018	30 June 2019
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018	30 June 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019	30 June 2020
IFRS 16	Leases	1 January 2019	30 June 2020
Annual improvements 2014-2016 cycle	Amendments to IFRS 1 and IAS 28	1 January 2018	30 June 2019

Impact Assessment of new Standards

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments will be effective for the Group for the year ended 30 June 2019. The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and debt modifications and a new impairment model for financial assets.

The majority of the Groups assets and liabilities are currently classified at fair value through profit or loss or amortised cost and hence there is no expected change to the accounting treatment of these instruments. The changes to debt modifications will result in any changes to debt that do not result in the full extinguishment of the instrument needing to be fair valued based on the effective interest rate of the new instrument and a gain or loss to the carrying value recognised in other gains and losses. Management have performed an impact assessment of previous debt refinancing for retrospective application of the standard and do not expect these changes to have a material impact on the financial statements.

The new impairment model under IFRS 9, requires the recognition of impairment provisions against financial assets based on an expected credit loss model rather than incurred credit losses as required under the current standard. Based on the impact assessments undertaken by the Group to date, there is not currently expected to be a material impact on the loss allowance recognised by the Group. The new standard will also introduce additional disclosure requirements for the Group.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 is effective for periods beginning from 1 January 2018 and is mandatory for the Group to adopt the standard for its year ended 30 June 2019. Comparative information in the 30 June 2019 financial statements will be restated to appropriately present the new standards and impact on initial recognition will be recognised through retained earnings. The new standard provides a more prescriptive framework toward revenue recognition and centres around five key revenue recognition steps:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocation of the contract price to the performance obligations; and
5. Recognise revenue as the performance obligations are satisfied.

Whilst these concepts are not new, the standard includes several clarifications to the interpretations of existing standards, focussing on the transfer of control of goods and services rather than the transfer of risks and rewards. Management have performed an impact assessment on the adoption of IFRS 15. The expected impact to the financials is based on performance criteria of specific contracts and the timing of revenue recognition. The impact assessment on the financial statements includes a £10.8m reduction in retained earnings on transition, with an immaterial change in annual revenues. IFRS 15 also includes additional disclosure requirements for the annual financial statements, both qualitative and quantitative in nature.

IFRS 16 Leases

IFRS 16 Leases, is effective for financial periods beginning on or after 1 January 2019 and therefore is expected to have a material impact on the financial statements of the Group for the year ending 30 June 2020. This is primarily through the recognition of the Group's operating leases on the balance sheet and reclassification of costs in the income statement leading to an increase in EBITDA.

Further details of the Group's operating lease commitments are shown in note 28. It is not practicable to provide a reasonable estimate of the effect of this standard until a more detailed review has been completed. A more detailed impact assessment is expected to be provided in the Group financial statements for the year ended 30 June 2019.

3 Significant accounting policies

Basis of preparation

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

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies applying IFRS and in accordance with IFRS Interpretations Committee interpretations.

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

The Company's financial statements have been prepared under FRS 101 and are included in this report – see page 122.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2018.

Control is achieved when the Company:

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

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

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

Intra-group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Going concern

Historically the Group has reported losses and had a significant net liability position on the Statement of Financial Position, caused primarily by ongoing financing costs. However, the Group has continued to generate cashflows over and above the financing costs.

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 28. In addition, forecast covenant compliance remains strong. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Segmental reporting

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

Revenue recognition

Revenue represents the gross inflow of economic benefit for services provided utilising Arqiva's communications infrastructure, completion of significant engineering projects and the sale of communications equipment. Revenue is stated net of value added tax. Revenue is measured at the fair value of the consideration received or receivable.

Where a contractual arrangement consists of two or more elements that are separable and have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements on the basis of relative fair value and the appropriate revenue recognition criteria are applied to each element. Likewise where elements of a contract, or multiple contracts, are so intrinsically linked that it is necessary to consider the elements on a bundled basis revenue is recognised in respect of the bundled contractual obligations taken as a whole.

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

Rendering of services

Revenue from the rendering of services is recognised in line with the service provision over the contractual period. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and the associated costs can be measured reliably. Such revenues include television and radio transmission services, tower site rental to mobile network operators, installation services, in-building and small cells, network provision, media services, and machine-to-machine connectivity.

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

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

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects.

Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, are recognised based on the percentage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

A loss on a fixed price contract is recognised immediately when it becomes probable that the contract cost will exceed the total contract revenue.

Sale of communications equipment

Revenue from the sale of communications equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer, which is typically upon delivery and acceptance by the customer.

Business combinations, including goodwill

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

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

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

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

Intangible assets

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

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

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

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour. Labour costs are capitalised within the cost of an asset to the extent that they are directly attributable to the construction of the asset. The value capitalised captures all elements of employee benefits as defined by IAS 19.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

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

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

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

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

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

Impairment of non-financial assets
At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

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

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

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

The Group's ***financial assets*** are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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

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

The Group's ***financial liabilities*** are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on

settlement or redemption, and direct issue costs are accounted for on an accruals basis to the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

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

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

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

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

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

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

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability.

Fair value measurement
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for leasing transactions that are within the scope of IAS 17, and measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

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

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

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

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.
Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Retirement benefits
Defined contribution schemes
For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

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

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

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

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

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting

from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.
A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

The Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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

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

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate.

Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the contracted rate if applicable. Any exchange differences arising are taken to the income statement. Transactions in the income statement of overseas operations are translated using an average exchange rate.

Exchange differences on translation of overseas branches are recognised through the statement of comprehensive income.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

Critical accounting judgements:

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

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

Key estimations:

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

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

The aforementioned judgements are consistently applied across similar contracts and key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase.

Deferred tax

Critical accounting judgements:

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward.

Useful lives for property, plant and equipment and intangibles

Critical accounting judgements:

The assessment of the useful economic lives of these assets requires judgement.

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

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

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

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

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

Key estimations:

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

Management exercises judgement in measuring the exposures to contingent liabilities (see note 28) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Impairment of goodwill

Critical accounting judgements:

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

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances.

Key estimations:

Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 14.

Actuarial assumptions used to determine the carrying amount of the Group's defined benefit plan liabilities

Critical accounting judgements:

The Group's defined benefit plan liabilities are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived.

The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The Group selects these assumptions in consultation with an external qualified actuary.

Key estimations:

Estimates are used in determining the present value of the scheme liabilities depend on such factors as the life expectancy of the members, the salary progression of our current employees and price inflation.

Fair value measurements and valuation processes

Key estimations

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debit/credit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 14 and 25.

5 Revenue and segmental information

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

The following revenue was generated by the Group:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Rendering of services	858.1	846.6
Engineering projects	95.1	83.0
Sale of goods	9.2	11.7
Revenue	**962.4**	**941.3**

Segmental reporting

Information reported to the Group's Chief Operating Decision Maker ('CODM') (which is collectively the Group's Board of Directors, including the CEO and CFO) for the purposes of resource allocation and the assessment of segmental performance is focused on the three customer-facing business units, supported by central corporate functions which are non-revenue generating. The Group's reportable segments under IFRS 8 are therefore:

- Terrestrial Broadcast;
- Telecoms & M2M; and
- Satellite and Media.

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

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

Year ended 30 June 2018	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**487.6**	**341.3**	**133.5**	**-**	**962.4**
Segment result* (EBITDA)	**360.8**	**178.1**	**33.8**	**(55.2)**	**517.5**
Depreciation and amortisation					(180.4)
Other operating income excluded from measuring EBITDA					0.1
Impairment					(4.4)
Exceptional items					(9.5)
Share of results of joint ventures and associates					0.2
Other income					4.6
Operating profit					**328.1**
Finance income					1.7
Finance costs					(347.9)
Other gains and losses					92.4
Profit before tax					**74.3**

Year ended 30 June 2017	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**449.0**	**345.4**	**146.9**	**-**	**941.3**
Segment result* (EBITDA)	**329.4**	**155.1**	**35.0**	**(46.0)**	**473.5**
Depreciation and amortisation					(154.2)
Other operating expenditure excluded from measuring EBITDA					(0.1)
Exceptional items					(29.5)
Share of results of joint ventures and associates					0.3
Other income					1.1
Operating profit					**291.1**
Finance income					3.5
Finance costs					(340.8)
Other gains and losses					(133.1)
Loss before tax					**(179.3)**

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

EBITDA[1] is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to operating profit is provided below:

		Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating profit		328.1	291.1
Depreciation	16	163.7	141.6
Amortisation	15	16.7	12.6
Impairment	15, 16	4.4	-
Exceptional items charged to operating profit	7	9.5	29.5
Other income		(4.6)	(1.1)
Share of results of joint ventures and associates	17	(0.2)	(0.3)
Other[2]		(0.1)	0.1
EBITDA		**517.5**	**473.5**

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

[2] Includes add-backs for certain profit or loss on disposal of other intangibles and property, plant and equipment and includes deductions for non-interest related finance costs, principally bank charges that are not considered relevant in understanding the underlying performance of the business.

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

Segmental result represents the profit earned by each segment without allocation of the reconciling items above or central administration costs including investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

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

	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other*	Consolidated
	£m	£m	£m	£m	£m
Capital expenditure:					
For the year ended 30 June 2018	73.2	48.9	10.2	32.9	**165.2**
For the year ended 30 June 2017	44.6	79.4	11.7	25.6	**161.3**

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

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £161.5m (2017: £151.0m) and intangible assets of £3.7m (2017: £10.3m) as referred to in the cash flow statement.

Geographical information

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

The following revenue was generated from external customers:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
UK	951.1	928.5
Rest of European Economic Area (EEA)	8.6	8.4
Rest of World	2.7	4.4
Revenue	**962.4**	**941.3**

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

	30 June 2018 £m	30 June 2017 £m
UK	3,786.5	3,801.3
Rest of European Economic Area (EEA)	2.6	2.7
Rest of World	0.8	0.8
	3,789.9	**3,804.8**

Information about major customers

Included in the revenues arising from Terrestrial Broadcast are revenues of £139.2m (2017: £133.9m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £163.0m (2017: £150.6m) from a major customer.

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

6 Operating profit

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net foreign exchange (gains) / losses	(0.4)	0.3
Research and development costs	4.3	2.9
Depreciation of property, plant and equipment:		
Owned assets	163.2	141.2
Assets held under finance lease	0.5	0.4
(Profit) / loss on disposal of property, plant and equipment	(0.1)	0.2
Amortisation of intangible assets	16.7	12.6
Grant income	(13.6)	(2.7)
Operating lease rentals	61.2	59.9
Employee costs (see note 8)	100.5	93.2

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2018 £m	Group Year ended 30 June 2017 £m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.3	0.2
Non-audit services		
Other assurance services	1.1	0.6
Total cost of services provided by the Group's Auditors	**1.5**	**0.9**

7 Exceptional items

The Group recognises exceptional items in accordance with IAS 1 'Presentation of Financial Statements' where material items, derived from events or transactions within the ordinary activities of the Group, require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

Profit/(loss) before tax is stated after charging:

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating expenses:			
Reorganisation and severance		(1.8)	(24.0)
Corporate finance activities		(7.7)	(5.5)
		(9.5)	(29.5)
Other gains and losses:			
(Loss) on disposal of subsidiary	29	-	(5.2)
Profit on disposal of investment	11	0.1	-
Close out of swap arrangements	11	-	(15.4)
Total exceptional items		**(9.4)**	**(50.1)**

Reorganisation and severance expenses include costs relating to delivery of the Group's FutureFit programme. This is a transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. In the prior year this included one-off compensation payments to align employee Terms and Conditions.

Corporate finance activity costs relate to costs associated with the shareholder strategic review.

Loss on disposal of subsidiary relates to the disposal of Arqiva WiFi Limited, a subsidiary undertaking of the Group that operated in non-core business areas, specifically certain WiFi contracts.

Profit on disposal of investment relates to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture.

Close out of swap arrangements represents the loss crystallised on interest rate swaps at the close out date (see note 25).

The expense amounts included within exceptional items above are deductible for the purpose of taxation. The loss on disposal of subsidiary (see note 29 for further information) is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees

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

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
UK	2,049	2,060
Non-UK	39	40
Total employees	**2,088**	**2,100**

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Terrestrial Broadcast	727	674
Telecoms & M2M	480	535
Satellite and Media	376	364
Corporate functions	505	527
Total employees	**2,088**	**2,100**

Their aggregate remuneration comprised:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Wages and salaries	128.1	125.9
Social security costs	13.1	13.3
Other pension costs	10.8	10.7
Total staff costs	152.0	149.9
Own work capitalised	(51.5)	(56.7)
Income statement expense	**100.5**	**93.2**

9 Finance income

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Bank deposits	0.3	0.2
Finance lease interest receivable	0.2	0.2
Other loans and receivables	1.2	3.1
Total finance income	**1.7**	**3.5**

Other loans and receivables includes £0.2m (2017: £0.2m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Interest on bank overdrafts and loans	97.1	101.1
Other loan interest	74.7	73.2
Bank and other loan interest	171.8	174.3
Amortisation of debt issue costs	5.8	9.4
Interest on obligations under finance leases	1.0	1.0
Interest payable to other group entities	145.0	136.2
Other interest	23.5	16.9
Total interest payable	**347.1**	**337.8**
Less amounts included in the cost of qualifying assets	(3.5)	-
Unwinding of discount on provisions (see note 26)	4.3	3.0
Total finance costs	**347.9**	**340.8**

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure.

11 Other gains and losses

	Notes	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Foreign exchange gain / (loss) on financing		2.0	(8.3)
Fair value gain / (loss) on derivative financial instruments	25	90.3	(104.2)
Other gains and (losses)		**92.3**	**(112.5)**
Exceptional loss on disposal of subsidiary	7, 29	-	(5.2)
Exceptional profit on disposal of investments	7, 29	0.1	-
Exceptional close out of swap arrangements	7	-	(15.4)
Exceptional other gains and (losses)		**0.1**	**(20.6)**
Total other gains and (losses)		**92.4**	**(133.1)**

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 23).

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Group's derivative financial instruments (see note 25).

12 Tax

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
UK Corporation tax:		
- Current year	(16.5)	-
Current year overseas tax	-	0.1
Total current tax	(16.5)	0.1
Deferred tax (see note 20)		
- Origination and reversal of temporary differences	29.3	(27.6)
- Change in unrecognised deferred tax assets	(12.1)	49.8
- Recognition of deferred tax asset	(225.0)	(34.0)
- Impact of rate change	-	11.8
Total deferred tax	(207.8)	-
Total tax (credit) / charge for the year	**(224.3)**	**0.1**

UK Corporation tax is calculated at the weighted average rate of 19.0% (2017: 19.75%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The (credit) / charge for the year can be reconciled to the profit / (loss) in the income statement as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit / (loss) before tax on continuing operations	74.3	(179.3)
Tax at the UK Corporation tax rate of 19.0% (2017: 19.75%)	14.1	(35.4)
Tax effect of expenses that are not deductible in determining taxable profit	2.0	3.4
Change in unrecognised deferred tax assets	(12.1)	15.8
Recognition of previously unrecognised deferred tax asset (a)	(225.0)	-
Impact of change in tax rate	(3.3)	16.3
Total tax (credit) / charge for the year	**(224.3)**	**0.1**

The main rate of UK corporation tax was 19.0% during the year. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. UK deferred tax has been valued at 17.0% (30 June 2017: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

The current tax credit in the period ended 30 June 2018 represents group relief surrendered by companies within the Arqiva Group Parent Limited group of consolidated companies to other companies within the Arqiva Group Limited corporation tax group. This group relief is paid for at the UK corporation tax rate of 19%.

There is a tax charge of £1.8m (2017 £nil) in respect of the actuarial movement of £10.8m (2017: £(0.5m)) in the Consolidated Statement of Comprehensive Income.

(a) Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017.

The overall effect of these changes, is that certain previously unrecognised deferred tax assets have been recognised at 30 June 2018, as a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable. These relate primarily to financial instruments, fixed asset temporary differences and tax losses.

13 Dividends

	Year ended 30 June 2018		Year ended 30 June 2017	
	£ per share	**£m**	**£ per share**	**£m**
Now Digital (East Midlands) Limited	30.0	0.1	-	-
South West Digital Radio Limited	4.2	-	-	-
Total dividends payable to minority interests		**0.1**		**-**

The above amounts represent dividends declared but not paid to non-controlling interest shareholders by Group companies. No dividends were paid to AGPL shareholders.

14 Goodwill

	£m
Cost:	
At 30 June 2017 and 30 June 2018	**1,981.0**
Accumulated impairment losses:	
At 30 June 2017 and 30 June 2018	**0.4**
Carrying amount:	
At 30 June 2018	**1,980.6**
At 30 June 2017	1,980.6

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The CGUs that have associated goodwill are Terrestrial Broadcast, Telecoms & M2M and Satellite & Media. These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

The Group disposed of £6.8m of goodwill in relation to its investment in Arqiva WiFi Limited which was disposed of by the Group on 1 November 2016. See note 29 for further information.

The carrying value of goodwill as at the balance sheet date by the principal CGUs is shown as follows:

	30 June 2018 £m	30 June 2017 £m
Terrestrial Broadcast	1,236.1	1,236.1
Telecoms & M2M	640.4	640.4
Satellite and Media	104.1	104.1
Total	**1,980.6**	**1,980.6**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations ('VIU'). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Projected cash flows and the 'recoverable amount'

The value in use of each CGU is determined from the cash flow forecasts derived from the most recent financial forecasts approved by the Board for the next five years. They reflect management's expectations of revenue, EBITDA growth, capital expenditure and working capital based on past experience and future expectations of performance.

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.0% (2017: 8.0%).

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the markets in which the CGU operates (2018: 1.4%; 2017: 1.8%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

There is significant headroom in all CGUs. No reasonably possible change in the key assumptions would cause the carrying amount of the goodwill by CGU to exceed the recoverable amount based upon the VIU.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2016	7.5	8.7	22.9	69.9	109.0
Additions	8.0	2.2	-	0.1	10.3
Transfers from AUC (note 16)	-	3.7	-	9.7	13.4
Disposals	(0.4)	(1.0)	(7.5)	(2.1)	(11.0)
At 30 June 2017	15.1	13.6	15.4	77.6	121.7
Additions	0.4	3.1	-	0.2	3.7
Transfers from AUC (note 16)	-	2.5	-	21.4	23.9
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	**15.5**	**18.7**	**15.4**	**98.3**	**147.9**
Accumulated amortisation					
At 1 July 2016	4.3	1.3	18.9	40.4	64.9
Amortisation	0.5	2.6	0.3	9.2	12.6
Disposals	(0.3)	(0.4)	(3.8)	(0.2)	(4.7)
At 30 June 2017	4.5	3.5	15.4	49.4	72.8
Amortisation	1.3	2.6	-	12.8	16.7
Impairment	-	0.2	-	0.6	0.8
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	**5.8**	**5.8**	**15.4**	**61.9**	**88.9**
Carrying amount					
At 30 June 2018	**9.7**	**12.9**	**-**	**36.4**	**59.0**
At 30 June 2017	10.6	10.1	-	28.2	48.9

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched.

Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

16 Property, plant and equipment

	Freehold land and buildings £m	Leasehold buildings £m	Plant and equipment £m	Assets under the course of construction (AUC) £m	Total £m
Cost					
At 1 July 2016	328.2	146.5	1,920.3	100.0	2,495.0
Additions	-	0.2	11.8	154.7	166.7
Completion of AUC	5.7	2.2	144.0	(151.9)	-
Transfers to other intangibles (note 15)	-	-	-	(13.4)	(13.4)
Reclassifications	3.8	7.3	(11.1)	-	-
Disposals	(0.3)	(2.7)	(41.7)	-	(44.7)
At 30 June 2017	337.4	153.5	2,023.3	89.4	2,603.6
Additions	-	-	20.9	150.8	171.7
Completion of AUC	1.4	0.9	104.9	(107.2)	-
Reclassifications	(0.2)	-	-	0.2	-
Transfers to other intangibles (note 15)	-	-	-	(23.9)	(23.9)
Disposals	(0.7)	(1.8)	(49.1)	-	(51.6)
At 30 June 2018	**337.9**	**152.6**	**2,100.0**	**109.3**	**2,699.8**
Accumulated depreciation					
At 1 July 2016	27.4	49.0	649.8	-	726.2
Depreciation	7.3	4.8	129.5	-	141.6
Reclassifications	1.7	4.8	(6.5)	-	-
Disposals	(0.2)	(2.0)	(32.2)	-	(34.4)
At 30 June 2017	36.2	56.6	740.6	-	833.4
Depreciation	6.5	4.8	152.4	-	163.7
Impairment	-	-	3.6	-	3.6
Disposals	(0.3)	(1.8)	(49.0)	-	(51.1)
At 30 June 2018	**42.4**	**59.6**	**847.6**	**-**	**949.6**
Carrying amount					
At 30 June 2018	**295.5**	**93.0**	**1,252.4**	**109.3**	**1,750.2**
At 30 June 2017	301.2	96.9	1,282.7	89.4	1,770.2

Freehold land included above but not depreciated amounts to £179.4m (2017: £180.0m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.9m (2017: £5.8m) included within leasehold buildings.

During the year, £3.5m (2017: £nil) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £17.0m (2017: £14.8m).

At 30 June 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £47.8m (2017: £49.1m) – see note 28 for further details.

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £48.6m (2017: £30.9m) and accumulated depreciation of £10.0m (2017: £6.1m). Fair value was determined using observable inputs (fair value hierarchy level 2).

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 125) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

Share of results of associates and joint ventures was £0.2m (2017: £0.3m) for the year with the interest in associates and joint ventures being £0.1m (2017: £5.1m).

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited. Consideration received was £5.2m resulting in a £0.1m profit on disposal recognised in other gains and losses as an exceptional item.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5% (disposed of 26 October 2017)

There are no other associates or joint ventures that are considered material, either individually or in aggregate, to the Group's position or performance.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Transactions with associates and joint ventures in the year are disclosed in note 31.

18 Trade and other receivables

	30 June 2018 £m	30 June 2017 £m
Trade receivables	100.4	102.5
Amounts receivable from other group entities	59.1	42.7
Loans receivable from joint ventures	-	0.6
Other receivables	7.7	5.5
Prepayments	69.5	64.6
Accrued income	63.8	71.7
Amounts receivable from finance lease arrangements (see note 19)	2.0	2.2
	302.5	**289.8**

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2018 £m	30 June 2017 £m
Up to 30 days overdue	14.7	19.1
Up to 90 days overdue	4.9	3.3
Between 91 and 150 days overdue	0.5	-
More than 150 days overdue	0.1	0.9
	20.2	**23.3**

Other than trade receivables set out above, no other receivables are past due or impaired.

Trade receivables are stated after deducting allowances for doubtful debts, as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Allowance at 1 July	10.8	9.5
Amounts utilised	(4.0)	(0.8)
Provided during the year	0.6	2.1
Allowance at 30 June	**7.4**	**10.8**

The Group's policy is to recommend providing for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality. For further information on how the Group manages credit risk see note 25.

19 Finance lease receivables

	30 June 2018 £m	30 June 2017 £m
Gross amounts receivable under finance leases:		
Within one year	0.5	0.4
In the second to fifth years inclusive	1.7	1.9
After five years	0.5	0.8
	2.7	3.1
Less: unearned finance income	(0.7)	(0.9)
Present value of minimum lease payments receivable	**2.0**	**2.2**
Net amounts receivable under finance leases:		
Within one year	0.3	0.2
In the second to fifth years inclusive	1.3	1.3
After five years	0.4	0.7
Present value of minimum lease payments receivable	**2.0**	**2.2**
Analysed as:		
Non-current finance lease receivables	1.7	2.0
Current finance lease receivables	0.3	0.2
Total finance leases	**2.0**	**2.2**

The Group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 5.8 years at 30 June 2018 (2017: 6.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2018 is £206.1m (2017: £nil). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses	Accelerated tax depreciation	Derivative financial instruments	Other temporary differences	Total
	£m	£m	£m	£m	£m
At 1 July 2016	-	13.9	-	-	13.9
Charged to the income statement	-	(13.9)	-	-	(13.9)
At 30 June 2017	-	-	-	-	-
Credited to the income statement	15.8	32.4	152.5	8.9	209.6
At 30 June 2018	**15.8**	**32.4**	**152.5**	**8.9**	**209.6**

Deferred tax liabilities	Accelerated tax depreciation	Other temporary differences	Total
	£m	£m	£m
At 1 July 2016	-	(13.9)	(13.9)
Credited to the income statement	-	13.9	13.9
At 30 June 2017	-	-	-
Charged to the income statement	1.7	-	1.7
Charged to the statement of comprehensive income	1.8	-	1.8
At 30 June 2018	**3.5**	**-**	**3.5**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. The Group has an unrecognised deferred tax asset of £31.8m (2017: £255.3m). This is in respect of tax losses of £31.8m (2017: £50.8m), derivative financial instruments of £nil (2017: £166.3m) fixed asset temporary differences of £nil (2017: £38.1m) and other temporary differences of £nil (2017: £0.2m). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 17.0% (2017: 17.0%); the rate substantively enacted at the balance sheet date effective from 1 April 2020, which is the rate at which the deferred tax balances are forecast to unwind.

No deferred tax liability is recognised on temporary differences of £nil (2017: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017. Due to the impact of these changes, significant previously unrecognised deferred tax assets were assessed as being recoverable during the period ended 30 June 2018. This is a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable.

A net deferred tax asset of £206.1m has therefore been recognised within these financial statements as at 30

June 2018. This asset relates primarily to financial instruments, fixed asset temporary differences and tax losses.

There remains an unrecognised deferred tax asset of £31.8m. This asset has not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group.

The forecasts used for deferred tax asset recognition are the same as those used in the Group's impairment testing. It is not considered probable that the remaining unrecognised deferred tax asset can be utilised by the Group in the foreseeable future. The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

21 Cash and cash equivalents

	30 June 2018	30 June 2017
	£m	£m
Cash at bank	6.2	7.1
Short term deposits	4.1	-
Total cash and cash equivalents	**10.3**	**7.1**

22 Trade and other payables

	30 June 2018	30 June 2017
	£m	£m
Current		
Trade payables	61.4	49.4
Amounts payable to other group entities	1,083.6	994.9
Taxation and social security	23.5	22.9
Other payables	18.2	7.8
Accruals	102.6	106.3
Deferred revenue	173.0	210.6
Total current trade and other payables	**1,462.3**	**1,391.9**
Non-current		
Deferred revenue	276.5	159.4
Total non-current trade and other payables	**276.5**	**159.4**

23 Borrowings

	Denominated currency	30 June 2018 £m	30 June 2017 £m
Within current liabilities:			
Finance lease obligations (see note 24)	Sterling	0.7	0.4
Bank facility	Sterling	55.0	86.0
Senior bonds and notes (amortising)	Sterling	58.1	13.3
	US Dollar	19.1	-
Accrued interest on senior financing[1]	Sterling	4.4	(0.5)
Borrowings due within one year		**137.3**	**99.2**
Within non-current liabilities:			
Bank loans		**441.7**	**519.2**
- Senior debt	Sterling	445.0	525.0
- Issue costs	Sterling	(3.3)	(5.8)
Other loans		**1,769.5**	**1,847.4**
- Senior bonds, notes and private placements	Sterling	1,524.1	1,582.2
	US Dollar	253.8	275.1
- Issue costs	Sterling	(8.4)	(9.9)
Amounts payable to other group entities	Sterling	**496.8**	**496.8**
Finance lease obligations (see note 24)	Sterling	**12.4**	**12.6**
Borrowings due after more than one year		**2,720.4**	**2,876.0**
Analysis of total borrowings by currency:			
Sterling		2,584.8	2,700.1
US Dollar		272.9	275.1
Total borrowings		**2,857.7**	**2,975.2**

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £1,004.0m (2017: £1,020.4m) whilst their carrying value was £900.7m (2017: £914.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £464.4m (2017: £476.0m) whilst their carrying value was £435.9m (2017: £438.1m).

The remaining £518.5m (2017: £518.5m) of senior debt relates to other unquoted borrowings.

The directors consider the fair value of all un-quoted borrowings to be a close approximate to their carrying amount.

The weighted average interest rate of borrowings is 7.89% (2017: 7.94%).

[1] The balance at 30 June 2018 is shown net of £7.3m (2017: £1.3m) interest receivable under swap arrangements associated with the underlying financing

An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	30 June 2018 £m	30 June 2017 £m
Borrowings falling due within:		
One year	132.9	99.7
One to five years	898.7	922.7
More than five years	1,833.4	1,969.0
Total	**2,865.0**	**2,991.4**

Bank loans form part of the Group's **senior debt**. **Other loans** comprise the Group's **senior bonds**.

A summary of the movement in borrowings during the financial year is given below:

Borrowings:	**At 1 July 2017 £m**	**New finance leases £m**	**Amounts repaid £m**	**Revaluations £m**	**At 30 June 2018 £m**
Bank loans – working capital facility	86.0	-	(31.0)	-	55.0
Senior debt – institutional term loan	180.0	-	-	-	180.0
Senior debt – European Investment Bank	190.0	-	-	-	190.0
Senior debt – bank term loan	155.0	-	(80.0)	-	75.0
Senior bonds, notes and US private placement	1,870.6	-	(13.3)	(2.2)	1,855.1
Total bank loans and private placements	**2,481.6**	**-**	**(124.3)**	**(2.2)**	**2,355.1**
Finance lease obligations	13.0	0.7	(0.6)	-	13.1
Amounts payable to other group entities	496.8	-	-	-	496.8
Total borrowings	**2,991.4**	**0.7**	**(124.9)**	**(2.2)**	**2,865.0**

Senior debt includes a bank term loan (£75.0m outstanding) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan (£180.0m outstanding) with an expected maturity date of December 2023; a loan from the European Investment Bank (£190.0m outstanding) with an expected maturity date of June 2024 and capital expenditure and working capital facilities (£55.0m outstanding) with an expected maturity date of March 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £585.0m (2017: £554.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

Senior bonds and notes include a combination of publicly listed bonds and US private placement notes.

As at 30 June 2018, the Group has £900.7m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2018 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £518.5m of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2018 and December

2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has issued £398.5m of fixed rate US private placements in sterling and US dollar denominated notes. These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2018 £m	**30 June 2017 £m**
Within one year	1.7	1.4
In more than one year, but not more than five years	6.5	6.0
After five years	11.7	13.3
Total gross payments	**19.9**	**20.7**
Less finance charges included above	(6.8)	(7.7)
Total obligations under finance leases	**13.1**	**13.0**
Analysed as:		
Net amounts due for settlement within one year	0.7	0.4
Net amounts due for settlement after one year	12.4	12.6
Total obligations under finance leases	**13.1**	**13.0**

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Financial instruments and risk management

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (as set out in note 27; see note 21 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

Levels of debt are maintained on an ongoing basis to ensure that no breaches occur and repayments can be and are made as necessary with refinancings carried out as required.

Significant accounting policies
Details of significant accounting policies and methods adopted (including criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in full in note 3.

The Group's derivatives (i.e. interest rate swaps and cross-currency swaps) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement within 'other gains and losses'. Net amounts paid in the year (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs

Financial risk management
The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The treasury function reports directly into the Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- Interest rate swaps, including inflation-linked interest rate swaps to mitigate the risk of movement in interest rates;
- Cross-currency swaps to mitigate the risk of currency exposures on foreign denominated borrowings; and
- Forward foreign exchange contracts to manage exchange risks arising from transactional foreign exchange exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management
The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly US dollars ('USD') and Euro), the majority of the Group's revenue and costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

Foreign currency exchange risk can be subdivided into two components, transactional risk and translation risk:

Transactional risk: The Group's policy is to hedge material transactional currency exposures via the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group–wide basis.

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only (0.3)% (2017: 0.2%) of operating profit and 0.3% (2017: 0.1%) of total assets for the Group.

The Sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged US dollar-denominated borrowings) at the year-end were as follows:

	30 June 2018 £m	30 June 2017 £m
Monetary assets:		
- US Dollar	3.7	3.3
- Euro	9.2	10.6
- Other (including SGD*)	1.0	0.8
Total	**13.9**	**14.7**
Monetary liabilities:		
- US Dollar	(0.6)	(1.1)
- Euro	(5.2)	(5.5)
- Other (including SGD*)	(0.1)	-
Total	**(5.9)**	**(6.6)**

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2017: 0.0%).

During the year cross currency swaps (nominal value USD 358.0m) were used to fix the exchange rate to $1.52/£1 in relation to US dollar-denominated senior notes (nominal value USD 358.0m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations.

After taking into account our hedging activities, management does not consider there to be a material residual exposure to exchange rates. Accordingly no sensitivity analysis has been presented.

Interest rate risk management

The Group has variable rate bank and US private placement debt and uses interest rate swaps ('IRS') and inflation-linked swaps ('ILS') to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. The Group has fixed rate hedging, split between IRS and ILS. IRS convert variable rate interest costs to fixed rate interest costs while ILS convert fixed or variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a portion of the Group's revenue contracts. These swaps are entered into on terms (including maturity) that mirror the debt instrument they hedge, and therefore act as an effective economic hedge.

As the Group uses hedging to maintain fixed interest rates on all of its material borrowings (excluding revolving facilities), there is minimal exposure on the interest expense to interest rate movements. A rise or fall in interest rates would therefore not materially impact the interest expense payable by the Group.

Liquidity risk management

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

The Group is due to repay £1.0bn of debt in the next 5 years to 30 June 2023. Regular reviews are performed to assess headroom between interest and capital repayments against forecast cash flows, thus monitoring the liquidity risk and the Group's ability to repay the debt.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities. The amounts presented in respect of the non-derivative financial liabilities represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position. The amounts presented in respect of the Group's derivative financial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

	Amounts falling due							
30 June 2018	**Within one year**	**Between one and two years**	**Between two and five years**	**After five years**	**Total**	**Effect of discounting**	**Interest to be incurred in future periods**	**Total financial liability/(asset) per statement of financial position**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade and other payables	61.4	-	-	-	61.4	-	-	**61.4**
Provisions	3.2	1.2	3.6	169.1	177.1	(109.5)	-	**67.6**
Borrowings*	132.2	502.2	393.3	1,327.5	2,355.2	-	-	**2,355.2**
	196.8	**503.4**	**396.9**	**1,496.6**	**2,593.7**	**(109.5)**	**-**	**2,484.2**
Interest on borrowings	85.7	84.0	189.2	198.9	557.8	-	(202.0)	**355.8**
Interest rate swaps	58.1	49.1	127.0	91.1	325.3	(27.6)	-	**297.7**
Inflation linked interest rate swaps	84.4	85.9	284.1	427.4	881.8	(126.7)	-	**755.1**
Cross-currency swaps	(4.1)	(4.0)	(20.4)	(14.4)	(42.9)	20.9	-	**(22.0)**
	138.4	**131.0**	**390.7**	**504.1**	**1,164.2**	**(133.4)**	**-**	**1,030.8**
Total financial liability	**420.9**	**718.4**	**976.8**	**2,199.6**	**4,315.7**	**(242.9)**	**(202.0)**	**3,870.8**

*Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

30 June 2017	Amounts falling due Within one year	Between one and two years	Between two and five years	After five years	Total	Effect of discounting	Interest to be incurred in future periods	Total financial liability/(asset) per statement of financial position
	£m	£m	£m	£m	£m	£m	£m	£m
Trade and other payables	49.4	-	-	-	49.4	-	-	**49.4**
Provisions*	19.2	1.2	3.6	168.8	192.8	(117.0)	-	**75.8**
Borrowings**	99.3	51.7	959.7	1,370.9	2,481.6	-	-	**2,481.6**
	167.9	**52.9**	**963.3**	**1,539.7**	**2,723.8**	**(117.0)**	**-**	**2,606.8**
Interest on borrowings	85.8	85.3	211.5	256.9	639.5	-	(640.0)	**(0.5)**
Interest rate swaps	66.0	58.5	140.9	126.2	391.6	(25.7)	-	**365.9**
Inflation linked interest rate swaps	89.0	85.7	278.7	532.1	985.5	(142.5)	-	**843.0**
Cross-currency swaps	(1.8)	(4.6)	(19.7)	(23.1)	(49.2)	20.0	-	**(29.2)**
	153.2	**139.6**	**399.9**	**635.2**	**1,327.9**	**(148.2)**	**-**	**1,179.7**
Total financial liability	**406.9**	**277.8**	**1,574.7**	**2,431.8**	**4,691.2**	**(265.2)**	**(640.0)**	**3,786.0**

*Includes an estimated £nil undiscounted cash flows maturing after 20 years.
**Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

The table below outlines the additional financing facilities available to the Group:

	30 June 2018	30 June 2017
	£m	£m
Secured bank facilities:		
- Amount utilised	55.0	86.0
- Amount unutilised	585.0	554.0
Total	**640.0**	**640.0**

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Credit risk management

The Group is exposed to credit risk on customer receivables, which is managed through credit-checking procedures prior to taking on new customers and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectable debts.

Financial instruments

With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the Group's financial assets and financial liabilities are recognised and measured following the loans and receivables recognition category.

The weighted average interest rate of fixed rate financial liabilities at 30 June 2018 was 4.54% (2017: 6.10%) and the weighted average period of funding was 5.8 years (2017: 6.6 years).

Within the Group's financial liabilities were borrowings of £2,857.7m (2017: £2,975.2m) (see note 23), which includes £1,038.5m (2017: £1,118.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £10.3m (2017: £7.1m) and loans and receivables of £223.2m (2017: £225.2m) as presented in notes 21 and 18 respectively.

Derivative financial instruments
The Group seeks to manage the exposures of its debt payment obligations through a combination of indexed linked, interest rate and cross currency swaps.

In conjunction with the November 2016 refinancing (see note 23), the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional value of swap options were fully closed out for cash proceeds of £3.2m and £353.2m of notional value of interest rate swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement notes which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a £15.4m exceptional loss being recognised in other gains and losses (see note 11). As part of these amendments, the mandatory break clauses were removed.

The above amendments were completed in order to comply with the covenants under its WBS platform and the Group's overall strategy to ensure that a majority of interest exposures are hedged.

At the year end, the Group held interest rate swaps with notional amounts of £976.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.96%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

The Group has also entered into index linked swaps (notional amounts of £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.906% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2018 (£58.6m; 2017: £53.4m). All of these instruments have a maturity date of April 2027 except for a notional amount of £235.0m which have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2018 is a liability of £1,030.8m (2017: £1,179.7m). This fair value is calculated using a risk-adjusted discount rate.

Following their close-out in November 2016, the Group no longer holds any swap options (2017: £nil).

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2018 £m	30 June 2017 £m
Interest rate swaps	(297.7)	(365.9)
Inflation-linked interest rate swaps	(755.1)	(843.0)
Cross-currency swaps	22.0	29.2
Total	**(1,030.8)**	**(1,179.7)**
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	106.3	(13.1)
- Attributable to changes in perceived credit risk	(16.0)	(91.1)
Close out of swap arrangements (note 7)	-	(15.4)
Total gain/(loss) recognised in the income statement	**90.3**	**(119.6)**
Cash settlement of principal accretion on inflation-linked swaps	58.6	53.4
Net cash outflow on refinancing of interest rate swaps and swap options	-	32.8
Total change in fair value	**148.9**	**(33.4)**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

Fair value hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps, swap options and cross-currency swaps (as disclosed above) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest / inflation / exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

26 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2017	0.8	53.3	15.6	4.9	1.2	75.8
Income statement expense	-	0.4	-	-	0.3	0.7
Additions created through property, plant and equipment	-	3.5	-	-	-	3.5
Unwind of discount	-	3.7	-	0.3	-	4.0
Released	(0.8)	(0.2)	(0.8)	-	-	(1.8)
Utilised	-	-	(14.6)	-	-	(14.6)
At 30 June 2018	**-**	**60.7**	**0.2**	**5.2**	**1.5**	**67.6**

	30 June 2018	30 June 2017
	£m	£m
Analysed as:		
Current	2.8	18.8
Non-current	64.8	57.0
	67.6	**75.8**

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 18 years.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group through its FutureFit programme, the majority of which has been utilised during the current 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 one to ten years.

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

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2018 £m	Year ended 30 June 2016 £m
Operating profit	328.1	291.1
Adjustments for:		
Depreciation of property, plant and equipment	163.7	141.6
Amortisation of intangible assets	16.7	12.6
Impairment charges	4.4	-
Loss on disposal of property, plant and equipment	0.1	0.2
Other income	(4.6)	(1.1)
Share of results of associates and joint ventures	(0.2)	(0.3)
Operating cash flows before movements in working capital	508.2	444.1
Decrease / (increase) in receivables	5.9	(4.3)
Increase in payables	70.7	36.9
(Decrease) / increase in provisions	(12.6)	13.1
Cash generated from operating activities	**572.2**	**489.8**
Taxes paid	(0.1)	(0.1)
Net cash from operating activities	**572.1**	**489.7**

Analysis of changes in financial liabilities:

	At 1 July 2017 £m	Changes in financing cash flows (Cash) £m	Changes in foreign exchange (Non-cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 30 June 2018 £m
Current borrowings (Note 23)	99.7	(44.7)	-	-	77.9	132.9
Non-current borrowings (Note 23)	2,876.0	(80.0)	(2.1)	-	(73.5)	2,720.4
Accrued interest on borrowings (Note 23)	(0.5)	(170.1)	-	-	174.9	4.4
Derivative financial instrument Liabilities (Note 25)	1,179.7	(58.6)	-	(90.3)	-	1,030.8
Total	**4,154.9**	**(353.4)**	**(2.1)**	**(90.3)**	**179.4**	**3,888.5**

The movements above do not include issue costs associated with entering the borrowing arrangements (see note 23).

28 Financial commitments and contingent liabilities

Financing commitments
Under the terms of the Group's external debt facilities, the Group has provided security over substantially all of its assets by way of a Whole Business Securitisation structure.

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

	30 June 2018 £m	30 June 2017 £m
Within one year	45.4	44.3
Within two to five years	2.4	4.8
Total capital commitments	**47.8**	**49.1**

Operating leases
Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2018 £m	30 June 2017 £m
Within one year	33.9	31.6
Within two to five years	96.0	94.9
After five years	131.6	141.7
Total future minimum operating lease payments	**261.5**	**268.2**

Other annual lease commitments fall due:

	30 June 2018 £m	30 June 2017 £m
Within one year	1.1	1.8
Within two to five years	1.9	1.7
Total future minimum operating lease payments	**3.0**	**3.5**

In addition the Group has various service supply agreements for circuits connectivity which amount to £24.0m per annum.

29 Disposal of business

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

On 1 November 2016, the Group sold its 100% interest in the ordinary share capital of Arqiva WiFi Limited, a subsidiary undertaking. The total gross consideration received was £25.2m, satisfied by cash and cash equivalents. The loss on disposal of £5.2m was recognised in other gains and losses as an exceptional item. The net cash inflow arising on the disposal, including disposal costs and cash and cash equivalents transferred was £23.2m.

	Arqiva WiFi Limited £m
Other intangibles	6.2
Property, plant and equipment	10.0
Trade and other receivables	7.3
Trade and other payables	(0.9)
Provisions	(0.8)
Attributable goodwill* (see note 14)	6.8
Net assets disposed (before cash and cash equivalents)	28.6
Cash and cash equivalents	0.4
Net assets disposed	**29.0**
Consideration satisfied by cash and cash equivalents	25.2
Costs of disposal	(1.6)
Cash and cash equivalents transferred on disposal	(0.4)
Net cash inflow from sale of subsidiary undertakings	**23.2**
Net assets disposed (before cash and cash equivalents)	(28.6)
Consideration receivable	0.2
Loss on disposal	**(5.2)**

*Attributable goodwill has been calculated with reference to the goodwill recognised at the time of acquisition. This was allocated to Arqiva WiFi Limited based on management forecasts of performance of the companies acquired.

The loss on disposal was included within the income statement in other gains and losses as an exceptional item (see notes 11 and 7 respectively). The trading results of the disposed components of the WiFi business which were included in the consolidated income statement up to the date of disposal were as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Revenue	-	7.2
Cost of sales	-	(5.3)
Operating expenses	-	(1.9)
Operating profit	-	-

30 Retirement benefits

Defined contribution scheme
Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £10.8m (2017: £10.7m). The assets of the Scheme are held outside of the Group.

An amount of £1.3m (2017: £0.7m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan
In the year to 30 June 2018, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 20 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2014 by an independent firm of consulting actuaries, and is in the final stages of approval.. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2018	30 June 2017
Key assumptions		
Discount rate	2.80%	2.80%
Price inflation (RPI)	3.00%	3.10%
Life expectancy of a male / female age 60 (current pensioner)	26.6yrs / 28.6yrs	26.7yrs / 28.6yrs
Life expectancy of a male / female age 60 (future pensioner)	28.1yrs / 30.2yrs	28.3yrs / 30.3yrs
Other linked assumptions		
Price inflation (CPI)	1.90%	2.00%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.60%	3.60%
Pension increases (RPI with a maximum of 10%)	3.00%	3.10%
Salary growth	n/a	n/a

Amounts recognised in the consolidated income statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Components of defined benefit costs recognised in profit or loss	(0.2)	(0.2)
	(0.2)	**(0.2)**

The net interest item has been included within finance income (see note 9). All other items in the table above have been included in administrative expenses. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Return on Plan assets excluding Interest Income	1.8	18.7
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains / (losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
	10.8	**(0.5)**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan was as follows:

	30 June 2018 £m	30 June 2017 £m
Fair value of Plan assets	239.0	241.1
Present value of defined benefit Plan liabilities	(218.4)	(234.0)
Surplus at 30 June	**20.6**	**7.1**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Surplus at 1 July	7.1	7.4
Amount recognised in profit or loss	0.2	0.2
Amount recognised in Other Comprehensive Income	10.8	(0.5)
Company contributions	2.5	-
Surplus at 30 June	**20.6**	**7.1**

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
1 July	(234.0)	(216.0)
Contributions by employees	(0.7)	(0.2)
Interest cost	(6.4)	(6.6)
Benefits paid	13.7	8.0
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains/(losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
30 June	**(218.4)**	**(234.0)**

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
1 July	241.1	223.4
Interest income	6.6	6.8
Return on Plan assets excluding interest income	1.8	18.7
Contributions by employer	2.5	-
Contributions by employees	0.7	0.2
Benefits paid	(13.7)	(8.0)
30 June	**239.0**	**241.1**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2018 £m	30 June 2017 £m
Equity instruments	85.5	85.1
Diversified growth funds	18.8	19.3
Corporate bonds	20.0	65.4
Government bonds	112.2	70.9
Cash and equivalents	2.5	0.4
Total	**239.0**	**241.1**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the funding valuation as at 30 June 2014, Arqiva Limited agreed to pay deficit contributions of £2.5m per annum to 31 July 2018, and then payments of £3.3m per annum to July 2020. The Group anticipates that cash contributions due to the defined benefit plan for the year ending 30 June 2019 will be £5.8m. These future contributions will be determined upon approval of the funding valuation as at 30 June 2017.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2018 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of +1 year
Increase in Plan liabilities	£4.2m	£3.1m	£6.4m

The sensitivity of the 2017 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of +1 year
Increase in Plan liabilities	£5.1m	£5.2m	£7.1m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with the Group's pension scheme are disclosed in note 30. Transactions between the Group and its associates, joint ventures and entities under common influence are disclosed below.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date.

Trading transactions

During the year ended 30 June 2018 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Associates	-	-	6.6	6.6
Joint ventures	3.5	3.3	2.3	2.2
Entities under common influence	0.9	27.4	0.7	8.1
Other group entities	40.0	32.7	-	-
	44.4	**63.4**	**9.6**	**16.9**

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

As at 30 June 2018, the amount receivable from associates was £nil (2017: £0.1m) and joint ventures was £nil (2017: £0.9m).

Interest received during the year from joint ventures was £nil (2017: £0.1m charged at 12% of the outstanding balance).

As at 30 June 2018, the amount receivable from entities under common influence was £nil (2017: £0.2m).
As at 30 June 2018, the amounts receivable from and payable to other group entities are disclosed in notes 18 and 22 respectively.

Remuneration of Directors and key management personnel
The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Short-term employee benefits	4.1	3.7
Termination benefits	1.1	-
Post-employment benefits	0.3	0.2
	5.5	**3.9**

One member of the Directors and key management personnel (2017: one) is a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 126.

32 Controlling parties

The Company's immediate parent is Arqiva Broadcast Intermediate Limited ('ABIL'). Copies of the ABIL financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is Arqiva Group Limited ('AGL') which is the parent undertaking of the largest group to consolidate these financial statements.

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

AGL 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.

Directors' report for Arqiva Group Parent Limited ('the Company')

The Directors of Arqiva Group Parent Limited, registered company number 08085794, ('the Company') submit the following annual report and financial statements in respect of the year ended 30 June 2018.

Business review and principal activities

The Company acts as holding company with investments in a group of operating companies, financing companies and other holding companies ('the Group').

The Company has a result for the year of £nil (2017: £nil) and net assets of £3,493.3m (2017: £3,493.3m).

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company, the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 47 to 50.

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 27 and 28.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2017: nil).

Financial risk management

Due to the straightforward nature of the Company's operations, it is exposed to limited financial risks. The Group's financial risk management programme is detailed on page 47.

Future developments and going concern

It is the intention of the Company to continue to act as the Group's ultimate holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resource of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

The following held office as directors of the Company during the year and up to the date of this report:

Mike Parton
Paul Mullins (resigned 17 September 2017)
Mark Braithwaite
Christian Seymour
Peter Adams (alternate)
Damian Walsh
Nathan Luckey
Sally Davis
Simon Beresford-Wylie
Deepu Chintamaneni (alternate)
Paul Dollman
Neil King
Martin Healey (appointed 23 April 2018)
Neil Townson (appointed 20 October 2017)

Michael Giles resigned as Company Secretary on 1 January 2018.

Jeremy Mavor was appointed Company Secretary on 1 January 2018.

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.

Disclosure of information to the independent auditors

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

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

On behalf of the Board

Paul Dollman - Director
6 September 2018

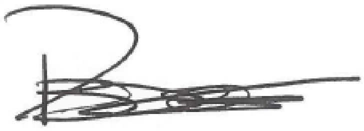
Company statement of financial position

	Note	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Investments	3	3,493.3	3,493.3
Receivables	4	496.8	496.8
		3,990.1	**3,990.1**
Current assets			
Receivables	4	1,079.0	991.0
Total current assets		**1,079.0**	**991.0**
Payables	5	(1,079.0)	(991.0)
Net current liabilities		-	-
Borrowings		(496.8)	(496.8)
Net assets		**3,493.3**	**3,493.3**
Equity			
Share capital		0.1	0.1
Capital contribution reserve		3,493.2	3,493.2
Total equity		**3,493.3**	**3,493.3**

The accounting policies and notes on page 125 form part of these financial statements.

The result for the financial year for the Company was £nil (2017: £nil).

These financial statements on pages 123 to 130 were approved by the Board of Directors on 6 September 2018 and were signed on its behalf by:



Paul Dollman - Director

Company statement of changes in equity

	Share capital* £m	Capital contribution reserve £m	Total equity £m
Balance at 1 July 2016	0.1	3,493.2	3,493.3
Result for the financial year	-	-	-
Balance at 30 June 2017	**0.1**	**3,493.2**	**3,493.3**
Result for the financial year	-	-	-
Balance at 30 June 2018	**0.1**	**3,493.2**	**3,493.3**

*Comprises 50,001 (2017: 50,001) authorised, issued and fully paid ordinary shares of £1 each.

Notes to the Company financial statements

1 Arqiva Group Parent Limited accounting policies and other information

Basis of preparation
As used in these financial statements and associated notes, the term 'Company' refers to Arqiva Group Parent Limited.

Arqiva Group Parent Limited is a private company limited by shares incorporated in the United Kingdom. The registered address of the Company is Crawley Court, Winchester, Hampshire, SO21 2QA.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Group Parent Limited and its subsidiaries) are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement has not been presented.

The financial statements are prepared on a going concern basis and under the historical cost convention. Accounting policies have been applied consistently throughout.

New and revised Standards and Interpretations have been adopted in the current year, a list of which can be found in note 2 of the Group financial statements. There is no material impact on the Company. The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

EU-adopted IFRS	Relevant disclosure exemptions
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 24 Related Party Disclosures	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member.

Accounting policies
Investments
Investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash and cash equivalents
Cash includes cash at bank and in hand and bank deposits repayable on demand.

Dividends
Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders.

Share capital
Ordinary shares are classified as equity.

Other information
Employees
The Company had no employees during the year (2017: none). None of the Directors (2017: none) were remunerated by the Company. Their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company except where sums are paid to third parties in respect of their services. There were no such sums paid in the year (2017: none).

Audit fees
The audit fee in respect of the Company and fees payable to PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

Critical accounting estimates and judgements
The application of these accounting policies did not require any critical judgements or any sources of estimation uncertainty.

2 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the Group are set out below:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Aggregate remuneration	1.0	1.0
Amounts due under long term incentive plans	2.5	3.2
Compensation for loss of office	-	-
Total remuneration	**3.5**	**4.2**

Certain of the Directors were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company and the Group except where sums are paid to third parties in respect of their services, of which there were £nil (2017: £nil) in relation to the Company. Accordingly, no remuneration in respect of these Directors is recognised in the Company.

There are no directors to whom retirement benefits accrued in respect of qualifying services (2017: none).

Highest paid director

Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Aggregate remuneration	2.0	2.8
Total remuneration	**2.0**	**2.8**

3 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
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 Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Pension Trust Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	80%
Now Digital (Oxford) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%

Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5% (Disposed of 26 October 2017, see note 29)
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

The Company held the following investments in subsidiaries:

	Total
	£m
Cost	
At 1 July 2017 and 30 June 2018	3,493.3
Provision for impairment	
At 1 July 2017 and 30 June 2018	-
Carrying value	
At 30 June 2017 and 30 June 2018	**3,493.3**

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

4 Receivables

Amounts receivable from other Group entities are unsecured and interest-free.

5 Payables

	30 June 2018	30 June 2017
	£m	£m
Amounts payable to other Group entities	1,079.0	991.0
Total	**1,079.0**	**991.0**

The Company has no payables falling due after more than one year.

6 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly-owned by another Group entity.

7 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

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