Arqiva Broadcast Parent Limited

Registered number 08085823

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2021

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Interim financial report

The Directors of Arqiva Broadcast Parent Limited ('ABPL'), registered company number 08085823, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2021.

Cautionary statement
This interim financial report ('IFR') 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 IFR, 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 utilities 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.

Business overview

Arqiva is one of the UK's leading communications infrastructure and media services providers, with significant investments in essential communications infrastructure. The Group's core business comprises of Media Distribution and Smart Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The Group had a contracted orderbook of £3.9bn as at 30 June 2021.

Recent developments since 30 June 2021

Media Distribution

Government (DCMS) updates
In August 2021 the DCMS published the outcome of its consultation on DTT Multiplex licences stipulating that all national DTT multiplexes may be renewed for a further period until 2034, providing Ofcom with the power to renew the licences until this date. The decision and statement demonstrate strong long-term Government support for the DTT platform.

Separately, the Government continues its ongoing strategic review of public service broadcasting, which includes a number of elements. In June 2021 the DCMS outlined plans to consult on the sale of Channel 4 with the consultation closing in September 2021, with responses still being analysed. It also announced plans to review the regulation of video on demand platforms. In July 2021 Ofcom published a set of recommendations to the Government on the future of Public Service Media (PSM) as part of its 'Small Screen: Big Debate' review. Ofcom's report makes clear the ongoing importance of public service media and the importance of continuing to reach the widest possible audience and deliver universality. The Government is now considering these recommendations and plans to publish a white paper sometime in early 2022.

In January 2022 the Culture Secretary announced that the BBC licence fee will remain at £159 per annum until 2024 and then rise in line with inflation for the following four years (until 2028). Arqiva has long-term contracts with the BBC which are not impacted by short-term changes in its funding. The Government has also announced its intention to review the licence fee funding model for the BBC. We will engage with this process when further information becomes available.

DTT[1] Multiplexes
DTT multiplex channel utilisation has remained high at 97% as at the end of December 2021.

Radio
In January 2022 the DCMS released the outcome of its consultation on National commercial DAB licencing proposing an automatic renewal of both Digital One (Arqiva 100% ownership) and Sound Digital (Arqiva has 40% ownership) to December 2035. This announcement underpins the growing importance of DAB radio and secures a stable future for the platform over the next decade and beyond.

Both national multiplexes remain full and utilisation of local muxes continues to grow with some also reaching full capacity.

The Government published the Radio and Audio Review in October 2021. The review supports the need to protect spectrum for Radio to 2030 and beyond with no full analogue switch-off within this period. Separately, we expect retirement of some AM services within the current plan.

An extension has been agreed on the Absolute MF network with numerous other renewal and extension conversations taking place across the analogue platforms. The general health of the market continues to improve in the absence of COVID lockdowns, we have seen large-scale re-engineering programs to ensure the platform is reliable for the coming years progressing.

Low Earth Orbit Market
Arqiva continues to develop opportunities in the Low Earth Orbit market by establishing connections to multiple satellites. The technology can for example provide satellite broadband anywhere in the world. Key players in this sector are SpaceX, Blue Origin and the recent UK Government investment in OneWeb plus established satellite operators such as Telesat and ViaSat. The Group has now secured two customers at the reporting date of these interim financial statements.

Smart Utilities Networks

Anglian Water
Following the award of the Anglian Water contract in June 2020, the Group has rolled out 264,000 meters by 31 December 2021 out of the overall target of 789,000 by 2025 across 24 planning zones including Norwich, Lincoln, Northampton and Peterborough, among others.

Thames Water
Since April 2015, Arqiva has delivered a smart metering network for Thames Water and as at 31 December 2021, there were over 665,000 meters installed and well over 12 million meter readings being delivered per day. It is currently the largest smart water metering network in the UK and has high coverage across the Thames Water London region. Recently, Arqiva has installed a network in the Haslemere, Guildford area which is Thames Water's first smart meter deployment outside London. In December 2021, the contract was extended for a further 10 years to 2031.

Other Water Utilities contracts
Arqiva has been selected by Northumbrian Water Group to deliver an initial roll-out of a smart metering network in Essex, where it operates as 'Essex & Suffolk Water'. The five-year contract will see Arqiva building and monitoring the fixed-network infrastructure, delivering connectivity to up to 11,000 domestic meters. The network went live in May 2021, along with the meter installation programme, to date around 6,000 meters have been connected. Northumbrian Water will take the learnings from this initial phase for subsequent larger scale deployments in 2022.

Other Smart Water Metering Trials
Arqiva was also awarded a two-year contract by Yorkshire Water to deliver and monitor a smart metering fixed-network trial. This will see Arqiva build and monitor the fixed-network infrastructure to facilitate the operation of new smart water meters for non-household customers across 30 of Yorkshire Water's areas. Our network went live and meter installations began in 2020 with rollout continuing through 2021. Yorkshire Water has taken the learnings from this trial and are tendering for larger scale deployments.

In the Midlands, Arqiva has been participating in a multi-vendor, multi-technology smart water metering evaluation trial with a major water company. Over this period, we have again proven the excellent performance of our technology and managed service. We are extending and expanding the trial for a further 12 months, on an exclusive basis, enabling the water company to evaluate fully the benefits and establish a business case for a future full smart metering roll-out. Orders have been received for the trial extension and meters will be deployed early in 2022.

Water Sector Update
In July 2021, the Final Determinations were announced in respect of the Government special Green Economic Recovery funding programme, OfWat has allowed significant spend for additional Smart Water Metering Programmes to be completed by April 2025. These awards have been made to Thames Water, Severn Trent Water and South West Water.

[1] DTT refers to Digital Terrestrial Television

Arqiva also commissioned and published an independent research from Frontier and Artesia which provided cost-benefit analysis for smart water meter rollout and found that a coordinated rollout of smart water metering would deliver £4.4 billion in benefits to society against costs of £2.5 billion, representing a net benefit of £1.9 billion. These savings come from improved leakage control and network management and Arqiva is well placed to take advantage of these opportunities.

Smart energy metering rollout
The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises. There are currently over 1 million communications hubs operating on the network representing 20% of the total UK communication hub installations. Whilst there has been an impact to comms hub deliveries owing to global component shortages, energy companies do have a level of pre-existing stock and we continue to work with Smart DCC Ltd (The DCC) to mitigate risk. The DCC continues to submit change requests that reflect new industry requirements and we maintain a strong pipeline.

Whilst we are seeing a number of energy companies closing, their customers and obligations are being taken up by other suppliers under a pre-existing process operated by Ofgem for such eventualities. We currently envisage no impact to the smart meter rollout programme which is now governed by rollout obligations set by Ofgem.

New proof of concepts
Arqiva has engaged with utility customers and industry suppliers as it seeks to expand its presence in the smart utilities industry. The Hybrid Connectivity Proof of Concept (PoC) with SGN is progressing well and will feed into their anticipated 'Strategic Connectivity' procurement exercise later this year. We have also invested in and are building a demonstration facility at our Chalfont site and expect that to be available in the summer. Our 'Leakage as a Service' PoC has been well received and we are now engaged in a programme of work with Thames Water to train and verify the Artificial Intelligence model. Sewer Level Monitoring PoC also has strong interest with beta samples expected later this year.

<u>Corporate Update</u>

Bilsdale Tower Fire
On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Arqiva's engineers have worked on a four-stage recovery plan to reinstate services delivered via this site. Through efforts utilising existing and temporary infrastructure, to date around 98% of households have been returned to a coverage area for TV. Arqiva continues to engage with local stakeholders, including viewers, MPs, local Government and the media through its Bilsdale Mast: Project Restore programme. The cause of the fire remains under investigation and management are still assessing the financial impact of the incident and continue to engage with the Group's insurers.

Sale of telecoms business
Following the sale of the Telecoms business to Cellnex in July 2020, Arqiva has been supporting Cellnex's UK business via Transitional Services Agreements (TSA) and as planned all TSAs have now completed, moving into a business as usual relationship under the existing site share arrangements.

Transformation Programme update
The Transformation Programme has continued in the period with further releases across our Site Management Platform (Siterra), Service Management (ServiceNow), and Financial Management (Oracle ERP) platforms. In turn, this continues to position Arqiva to be more responsive, agile and efficient through the increased use of data, automation and busines intelligence in its existing day-to-day operations delivering for current and future customers. The programme is expected to complete by the end of the financial year.

Ratings Update
In October 2021, S&P upgraded Group's senior debt rating to BBB+ reflecting the revised business plan as well as the significant deleveraging from the sale of the telecoms business proceeds; it continues to be rated BBB by Fitch. Junior debt remains rated B1/B- (Moody's/Fitch).

Financial results
The following table summarises the headline financials for the period:

	Six Months Ended 31 December		
	2021	**2020**	**% Change**
	(Unaudited) £ millions		
Revenue			
Commercial			
- Media Distribution	249.0	269.0	(7.4)%
- Smart Utilities Networks[2]	54.9	44.8	22.5%
Total continuing operations revenue	**303.9**	**313.8**	**(3.2)%**
Discontinued operations	-	4.9	(100.0)%
Total Group revenue	**303.9**	**318.7**	**(4.6)%**
EBITDA[3]			
Commercial			
- Media Distribution	179.1	178.7	0.2%
- Smart Utilities Networks	25.7	21.2	21.2%
Other			
- Corporate	(9.9)	(9.8)	(1.0)%
- Operations	(12.2)	(11.7)	(4.3)%
- Technology and Transformation	(14.7)	(12.2)	(20.5)%
Total continuing operations EBITDA	**168.0**	**166.2**	**1.1%**
Discontinued operations	-	2.5	(100)%
Total EBITDA (excluding exceptionals)	**168.0**	**168.7**	**(0.4)%**
Net cash inflow from operating activities	177.5	211.5	(16.1)%
Net capital expenditure	(40.6)	(29.8)	(36.2)%
Net financial investment	-	-	0.0%
Operating cash flow after capital and financial investment activities	**136.9**	**181.7**	**(24.7)%**

Income Statement

During the prior financial year the Group changed its organisational structure, moving away from the traditional business units and adopting an integrated operating model to better serve our customers. Consequently, during the period to 31 December 2022, the financial results of the Group are now presented on a functional basis. This includes the Commercial revenue generating function of the business which includes the customer facing segments of Media Distribution and Smart Utilities Networks, supported by Operations including maintenance and estates management, Technology and Transformation and Corporate including the Group's finance, legal and HR services. The segmental EBITDA results for the Group for the prior year period have been restated to align to this new structure presentation.

Revenue

For the six month period ended 31 December 2021, revenue for the Group was £303.9m, a decrease of 4.6% from the prior year period. Included within revenue is £nil (31 December 2020: £4.9m) associated with discontinued operations related to the Group's telecoms infrastructure and related assets which were sold to Cellnex on 8 July 2020. Revenue from continuing operations has decreased 3.2%. All revenue is associated with the commercial function of the business.

[2] For the avoidance of doubt, Smart Metering machine-to-machine financials included in this report refer solely to the ABPL financials.
[3] EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that are not considered to reflect the underlying performance of the business.

Media Distribution

Revenue for the Group's media distribution business during the six month period ended 31 December 2021 was £249.0m, representing a 7.4% decrease from £269.0m in the prior year period. This decrease has been driven by natural reduction on the 700MHz Clearance programme as expected as the programme reached completion of major works in the prior year period, remaining completion activities are ongoing. Revenue decreases have also arisen from the ending of TSA agreements following the sale of the Telecoms business. While further decreases in revenue are due to run rate of terminations and pricing from the prior year on some of the Group's UK DTH, managed media services and multiplex products, channel utilisation on the Group's main (DVB-T) multiplexes has remained strong at 97% at 31 December 2021. These decreases have been partially offset by increases in core TV and radio products due to RPI-linked increases on contracts.

Smart Utilities Networks

Revenues from utilities have increased 22.5% period on period from £44.8m to £54.9m. The increase is driven by the continued ramp up of revenues from water metering contracts including strong device sales. There have been further increases in recurring revenues from incremental smart energy metering change requests.

EBITDA

For the six months ended 31 December 2021 EBITDA (as defined in Note 7) for the total reported Group was £168.0m, a 0.4% decrease from £168.7m in the prior year period. Excluding the EBITDA from the telecoms business sold in the prior year period, continuing operations EBITDA has increased 1.1% from £166.2m to £168.0m.

Media Distribution

EBITDA for the Group's Media Distribution business during the six month period ended 31 December 2021 was £179.1m, representing a 0.2% increase from £178.7m in the prior year period. Despite the decrease in revenue including the wind down of the 700MHz clearance programme and lower fee contract renewals explained above, the media distribution products have benefitted from a reduction in costs leading to EBITDA remaining broadly flat year on year. These cost savings include a decrease in staff costs driven by a reduction in headcount as well as satellite capacity cost savings.

Smart Utilities Networks

EBITDA for the utilities business has increased 21.2% from £21.2m to £25.7m. This increase is driven by the increases in revenues for both the ramp up of water metering contracts and incremental change requests on energy metering contracts. The gross margin is however impacted by the relatively higher increase in lower margin device revenues.

Corporate

Corporate EBITDA represents costs for the support functions such as finance, legal and HR services. EBITDA for this function has increased in cost 1.0% to a loss of £9.9m for the six month period to 31 December 2021 from a loss of £9.8m in the prior year period.

Operations

The new operations functional segment is responsible for the efficient operation and maintenance of all Arqiva services including field engineers, disaster recovery and network operations. EBITDA for the operations segment has increased in cost £0.5m from a loss of £11.7m in the prior year period to a loss of £12.2m in the six months to 31 December 2021. The increase is predominantly due to staff costs and changes in the nature of projects being worked on by the team.

Technology and Transformation

EBITDA for the Technology and Transformation function for the six month period ended 31 December 2021 was a loss of £14.7m, a 20.5% increase in cost from a loss of £12.2m in the prior year period. The increase in cost is due to managed service and software costs related to the Group's digital enterprise platforms as we move to more cloud operated systems.

Depreciation

Depreciation for the Group during the six month period ended 31 December 2021 was £73.4m, a decrease of 15.8% from the prior year period figure of £87.2m for continuing operations. The decrease is driven by a reduction in accelerated depreciation from the prior year period particularly in connection with assets replaced under the 700MHz Clearance Programme as the programme winds down.

Amortisation

Amortisation for the Group during the six month period ended 31 December 2021 was £4.6m, remaining consistent with the prior year period figure of £5.0m.

Exceptional operating expenses

Exceptional operating expenses for the Group during the six month period ended 31 December 2021 were £13.0m, increased from £8.0m during the prior year period. Exceptional items charged to operating profit in the current year related to transaction costs associated with one off projects including costs associated with the changes in the organisational design of the business and refinancing activities.

Included in the current period are £5.5m of expenses (31 December 2020: £nil) incurred in the restoration of services associated with the Bilsdale transmitter following a fire which broke out on 10 August 2021. Engineers have been working on a four-stage recovery plan to reinstate services present on the mast. Phases 1 & 2 included restoring services with works completed for the improvement of TV coverage from our Eston Nab site and an additional 15 metre mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site. Phase 3 of the recovery plan involved the erection of a temporary mast at the Bilsdale site. To date around 98% of households have been returned to coverage for TV and commercial radio has benefited from improved coverage to what it was before the fire. Phase 4 of the recovery plan to complete the enduring solution is ongoing. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Group's insurers. Costs recognised are those which have been incurred to date and can be reliably measured.

An exceptional impairment charge has also been recognised in the income statement for £10.0m (31 December 2020: £nil) related to assets damaged due to the fire at the Bilsdale site.

Net bank and other loan interest

Net bank and other loan interest for the Group for the six month period was £46.5m compared to £48.7m in the prior year period. This decrease was as a result of reduced principal amounts outstanding following repayments made on amortising debt instruments in the prior year.

Other interest

Other interest for the continuing operations of the Group for the six month period was £15.9m, compared to £18.1m in the prior year period. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs, interest on lease obligations and imputed interest.

Interest payable to group undertakings

Interest payable to group undertakings for the six month period was £73.9m, compared to £67.2m in the prior year period. The increase is due to the compounding of outstanding interest balances.

Other gains and losses

Other gains and losses include net losses of £59.8m (31 December 2020: £2.2m gain) recognised as a result of fair value movements of swaps, principally attributable to the increase in forward inflation expectations partially offset by increases in forward interest rates. The prior year period also included £0.7m of foreign exchange gains and one off costs not repeated in the current period including break costs on debt refinancing of £55.9m and losses on the swaps exited and recouponed in the period of £7.6m.

Financial position

As at 31 December 2021 net liabilities for the Group were £695.3, an increase of 2.3% from £679.8m in the prior year period. The net liability position is primarily driven by the borrowings and derivative financial instruments held by the Group.

Cash Flow

A reconciliation of the reported EBITDA to net cash inflow from operating activities is provided below:

	Six months ended 31 December 2021 (Unaudited) £m	Six months ended 31 December 2020 (Unaudited) £m
EBITDA	168.0	168.7
Exceptional items	(13.0)	(8.0)
Working capital	24.0	51.1
Other	(1.5)	(0.3)
Net cash inflow from operating activities	**177.5**	**211.5**

Net cash inflow from operating activities for the six month period ended 31 December 2021 was £177.5m compared to £211.5m for the prior year period, representing an 16.1% decrease. This decrease is primarily driven by lower working capital inflows in the current year due to the recognition of additional one-off contract liabilities in the prior year period not repeated following the sale of the Telecoms business.

The Group's business is not seasonal in nature. Annual staff bonus payments are made in the first half of the year. The working capital inflow for the six months to 31 December 2021 was driven by an increase in contract liabilities due to the recognition of additional deferred income in relation to the Group's smart metering contracts, partially offset by the utilisation of cash received from customers in advance, decreasing previously recognised deferred income balances as well as timing of payments, typical with historical trends of the business.

Net capital expenditure in the six month period ended 31 December 2021 was £40.6m compared with £29.8m in the prior year period. The movement in the cash outflow is driven by the timing of cash payments made on the settlement of capital expenditure accrual balances. Capital expenditure has increased due to water metering as site build progresses and increases in maintenance on networks. This has been offset by decreases in expenditure on capital projects such as 700MHz clearance following the completion of major works in the prior year and a decrease in transformation in line with programme progression. The movement in the cash outflow is driven by the timing of cash payments made on the settlement of capital expenditure accrual balances. A further £3.5m of capital expenditure has also been incurred in the year in relation to capital works on the Bilsdale transmitter site including the erection of temporary masts and site improvements following the fire in August 2021 as explained above in exceptionals.

Operating cash flow after all capital and financial investment activities was £136.9m compared to £181.7m in the prior year period, representing a decrease of 24.7%. This is principally driven by the change in working capital inflows and capital expenditure explained above.

Total cash for the Group has increased by £49.4m in the six month period ended 31 December 2021 (31 December 2020: £125.5m inflow; 30 June 2021: £148.8m inflow).

Operational delivery

The Group continues to deliver projects and engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract which continued to achieve 99.5% network coverage of premises in the North of England and Scotland to December 2021;

- 700MHz Clearance. Major works clearance events were successfully completed in August 2020. Project completion activities are continuing.

Other Key Performance Indicators (KPIs) for the Group are the level of network availability across both TV and radio infrastructure. The Group's total level of network availability across both TV and radio infrastructure was 99.99% during the six months ended 31 December 2021 (six months ended 31 December 2020: 99.98%).

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30 June 2021, which is available from the Group's website at www.arqiva.com.

Investors in people
Arqiva holds an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. Arqiva has also been awarded the IIP Health and Wellbeing Good Practice Award, confirming our commitment to support the health and wellbeing of our colleagues.

ISO certification and Cyber security
Arqiva holds certification to ISO/IEC 27001:2013. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. 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. Arqiva has held this certification since 2013 and re-certifies every three years with re-certification last given in May 2020.

Arqiva also holds Cyber Essentials certification. Cyber Essentials 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 2016 and recertifies annually.

Going concern
The Group adopts the going concern basis in preparing these interim financial statements. 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 our current operation, including our contractual and commercial commitments both in terms of capital programmes and financing. The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Directors have also taken into account the potential implications of the current COVID-19 pandemic and have determined that given there will continue to be demand for services provided by the Group and the mixed customer base of the Group, the going concern basis remains appropriate.

Future outlook
The Group will continue to invest in its core infrastructure markets with a continued focus on operating these businesses more efficiently in order to deliver sustained growth in earnings. Net capital investment is anticipated to reduce in line with the phasing of expenditure on the Group's major capital programmes.

On behalf of the Board

Mike Parton
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22 February 2022

Consolidated interim income statement

		Six months ended 31 December 2021 Unaudited			Six months ended 31 December 2020 Unaudited			Year ended 30 June 2021		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Revenue	7	303.9	-	303.9	313.8	4.9	318.7	618.4	4.9	623.3
Cost of sales		(90.3)	-	(90.3)	(103.2)	(2.0)	(105.2)	(206.8)	(2.0)	(208.8)
Gross profit		213.6	-	**213.6**	210.6	2.9	**213.5**	411.6	2.9	**414.5**
Depreciation	16	(73.4)	-	(73.4)	(87.2)	(0.6)	(87.8)	(167.9)	(0.6)	(168.5)
Amortisation	15	(4.6)	-	(4.6)	(5.0)	-	(5.0)	(9.7)	-	(9.7)
Exceptional operating expenses	8	(13.0)	-	(13.0)	(8.0)	-	(8.0)	(25.6)	-	(25.6)
Exceptional impairment of assets	8	(10.0)	-	(10.0)	-	-	-	-	-	-
Other operating expenses		(45.6)	-	(45.6)	(44.4)	(0.4)	(44.8)	(79.8)	(0.4)	(80.2)
Total operating expenses		(146.6)	-	(146.6)	(144.6)	(1.0)	(145.6)	(283.0)	(1.0)	(284.0)
Other income		3.8	-	3.8	5.8	-	5.8	9.3	-	9.3
Operating profit		70.8	-	**70.8**	71.8	1.9	**73.7**	137.9	1.9	**139.8**

The remainder of the consolidated interim income statement continues on the next page.

		Six months ended 31 December 2021 Unaudited			Six months ended 31 December 2020 Unaudited			Year ended 30 June 2021		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Operating profit		70.8	-	**70.8**	71.8	1.9	**73.7**	137.9	1.9	**139.8**
Finance income	9	0.9	-	0.9	0.5	-	0.5	1.1	-	1.1
Finance costs	10	(136.3)	-	(136.3)	(133.9)	(0.1)	(134.0)	(268.9)	(0.1)	(269.0)
Exceptional gain on disposal of discontinued operations	13	-	-	-	-	1,035.2	1,035.2	-	1,038.3	1,038.3
Other gains and losses	11	(59.8)	-	(59.8)	(54.4)	-	(54.4)	(67.4)	-	(67.4)
Exceptional other gains and losses	11	-	-	-	(7.6)	-	(7.6)	(7.6)	-	(7.6)
(Loss) / profit before tax		(124.4)	-	**(124.4)**	(123.6)	1,037.0	**913.4**	(204.9)	1,040.1	**835.2**
Tax	12	17.0	-	17.0	(39.5)	(0.4)	(39.9)	80.5	(5.7)	74.8
(Loss) / profit for the period		(107.4)	-	**(107.4)**	(163.1)	1,036.6	**873.5**	(124.4)	1,034.4	**910.0**
Attributable to:										
Owners of the company				(107.5)			873.4			909.7
Non-controlling interest				0.1			0.1			0.3
				(107.4)			**873.5**			**910.0**

Further comments on consolidated income statement line items are presented in the notes to the financial statements on pages 16 to 37.

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
(Loss) / profit for the period		**(107.4)**	**873.5**	**910.0**
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain / (loss) on defined benefit pension schemes	28	11.7	(3.0)	26.4
Movement on deferred tax relating to pension schemes		(2.9)	0.6	(6.6)
		8.8	**(2.4)**	**19.8**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		(0.1)	0.1	0.1
		8.7	**(2.3)**	**19.9**
Total comprehensive (loss) / income		**(98.7)**	**871.2**	**929.9**
Attributable to:				
Owners of the Company		(98.8)	871.1	929.6
Non-controlling interest		0.1	0.1	0.3
Total comprehensive (loss) / income		**(98.7)**	**871.2**	**929.9**

All items of other comprehensive income relate to continuing operations.

Consolidated interim statement of financial position

	Note	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Non-current assets				
Goodwill	14	1,458.0	1,458.0	1,458.0
Other intangible assets	15	37.2	42.7	40.3
Property, plant and equipment	16	1,349.4	1,421.5	1,392.0
Deferred tax	18	220.2	129.0	215.8
Retirement benefits	28	61.1	18.6	47.1
Interest in associates and joint ventures		0.1	0.1	0.1
Derivative financial instruments	22	15.1	-	7.2
		3,141.1	**3,069.9**	**3,160.5**
Current assets				
Trade and other receivables	17	123.8	103.3	118.3
Contract assets	17	17.4	39.7	28.9
Cash and cash equivalents	19	276.9	204.3	227.5
		418.1	**347.3**	**374.7**
Total assets		**3,559.2**	**3,417.2**	**3,535.2**
Current liabilities				
Borrowings	21	(98.9)	(70.2)	(88.7)
Trade and other payables	20	(1,549.8)	(1,442.4)	(1,495.7)
Contract liabilities	20	(103.8)	(103.1)	(92.4)
Provisions	23	(4.4)	(2.8)	(3.2)
		(1,756.9)	**(1,618.5)**	**(1,680.0)**
Net current liabilities		**(1,338.8)**	**(1,271.2)**	**(1,305.3)**
Non-current liabilities				
Borrowings	21	(1,673.1)	(1,750.3)	(1,717.8)
Derivative financial instruments	22	(400.8)	(327.6)	(333.1)
Contract liabilities	20	(338.8)	(319.8)	(324.4)
Provisions	23	(84.9)	(80.8)	(85.6)
		(2,497.6)	**(2,478.5)**	**(2,460.9)**
Total liabilities		**(4,254.5)**	**(4,097.0)**	**(4,140.9)**
Net liabilities		**(695.3)**	**(679.8)**	**(605.7)**

	Note	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(703.6)	(663.4)	(604.9)
Capital contribution reserve		195.8	171.2	186.7
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(0.6)	(0.5)	(0.5)
Equity attributable to owners of the Company		**(696.8)**	**(681.1)**	**(607.1)**
Non-controlling interest		1.5	1.3	1.4
Total equity		**(695.3)**	**(679.8)**	**(605.7)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2022 and were signed on its behalf by:

Mike Parton - Director

Consolidated statement of changes in equity

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2021	**0.1**	**186.7**	**(188.5)**	**(604.9)**	**(0.5)**	**(607.1)**	**1.4**	**(605.7)**
(Loss) / profit for the period	-	-	-	(107.5)	-	(107.5)	0.1	(107.4)
Other comprehensive income / (expense)	-	-	-	8.8	(0.1)	8.7	-	8.7
Total comprehensive (loss) / income	-	-	-	(98.7)	(0.1)	(98.8)	0.1	(98.7)
Capital contribution	-	9.1	-	-	-	9.1	-	9.1
Balance at 31 December 2021	**0.1**	**195.8**	**(188.5)**	**(703.6)**	**(0.6)**	**(696.8)**	**1.5**	**(695.3)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2020	**0.1**	**171.2**	**(188.5)**	**(1,534.4)**	**(0.6)**	**(1,552.2)**	**1.2**	**(1,551.0)**
Profit for the period	-	-	-	873.4	-	873.4	0.1	873.5
Other comprehensive (expense) / income	-	-	-	(2.4)	0.1	(2.3)	-	(2.3)
Total comprehensive income	-	-	-	871.0	0.1	871.1	0.1	871.2
Balance at 31 December 2020	**0.1**	**171.2**	**(188.5)**	**(663.4)**	**(0.5)**	**(681.1)**	**1.3**	**(679.8)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2020	**0.1**	**171.2**	**(188.5)**	**(1,534.4)**	**(0.6)**	**(1,552.2)**	**1.2**	**(1,551.0)**
Profit for the year	-	-	-	909.7	-	909.7	0.3	910.0
Other comprehensive income	-	-	-	19.8	0.1	19.9	-	19.9
Total comprehensive income	-	-	-	929.5	0.1	929.6	0.3	929.9
Dividends paid	-	-	-	-	-	-	(0.1)	(0.1)
Capital contribution	-	15.5	-	-	-	15.5	-	15.5
Balance at 30 June 2021	**0.1**	**186.7**	**(188.5)**	**(604.9)**	**(0.5)**	**(607.1)**	**1.4**	**(605.7)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Net cash inflow from operating activities	24	**177.5**	**211.5**	**410.4**
Investing activities				
Interest received		0.4	0.4	0.8
Purchase of tangible assets		(39.8)	(28.3)	(85.5)
Purchase of intangible assets		(0.8)	(1.5)	(0.6)
Disposal of subsidiaries net of cash disposed and deferred income generated in relation to future services		-	1,823.0	1,820.4
		(40.2)	**1,793.6**	**(1,735.1)**
Financing activities				
Repayment of external borrowings		(26.1)	(1,247.6)	(1,260.9)
Movement in borrowings		(26.1)	(1,247.6)	(1,260.9)
Payment of lease liabilities		(13.7)	(9.5)	(48.1)
Interest paid		(46.9)	(53.6)	(104.3)
Debt issue costs and facility arrangement fees		(1.2)	-	-
Break costs		-	(55.9)	(55.9)
Cash settlement of principal accretion on inflation-linked swaps		-	-	(14.5)
Cash outflow on exit of swap agreements		-	(513.0)	(513.0)
		(87.9)	**(1,879.6)**	**(1,996.7)**
Increase in cash and cash equivalents	19	**49.4**	**125.5**	**148.8**

Notes to the financial statements

1 General information

This condensed consolidated interim financial information does not comprise statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2021 were approved by the Board of Directors on 21 September 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2021 can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

2 Directors' responsibilities

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

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

3 Basis of preparation

These financial statements for the six months ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the United Kingdom. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom.

The accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2021.

4 Significant judgements and key estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and costs. Actual results may differ from these estimates.

In preparing these financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the statutory accounts for the year ended 30 June 2021.

5 Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include purchase price risk, credit risk, liquidity risk, financing risk, interest rate risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects. A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions.

Purchase price risk

Energy is a major component of the Group's cost base. 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 typically managed by forward purchasing the majority of power requirements in excess of 12 months in advance. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.

Credit risk

The Group is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectable debts. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Liquidity risk

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. As at 31 December 2021 the Group had £276.9m cash and short term deposits available to cover short term cash flow timing differences if required. In addition, the Group has a £100.0m working capital facility available for general business purposes and an additional £150m liquidity facility to cover senior interest and accretion payments if required, both of which remain undrawn. Details of the debt maturity profile are provided in note 21.

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. The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place; our BBB+/BBB ratings (from Standard & Poors/Fitch) which reflect our strong ability to raise cash and repay debt from our cash flows over a reasonable period of time; maintaining an active dialogue with lenders and investors; maintaining debt with a variety of medium and long term maturities to ensure no material concentration of refinancing risk; and aiming to complete any refinancing well in advance of the required maturity date.

Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the competitiveness of terms. In order to mitigate this, the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with its lenders and credit ratings agencies.

Interest rate risk

The Group maintains a hedging policy to manage interest rate risk, ensuring the certainty of future interest cash flows and compliance with its debt covenants. It currently has hedging in place, split between interest rate swaps and inflation swaps. Interest rate swaps convert interest costs from floating to fixed rate whilst inflation swaps convert fixed or floating rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's borrowings are provided in note 21.

Foreign exchange risk

The Group operates predominantly from UK sites and in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the overwhelming majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. From time to time, forward foreign exchange contracts are used to fix the exchange rate for anticipated net exposures.

6 Going concern

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

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

7 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects and the sale of communications equipment.

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

Six months to 31 December 2021 - Unaudited	Media Distribution £m	Smart Utilities Networks £m	Total – continuing operations £m	Discontinued operations £m	Total £m
Rendering of services	247.2	41.5	**288.7**	-	**288.7**
Engineering projects	1.8	-	**1.8**	-	**1.8**
Sale of goods	-	13.4	**13.4**	-	**13.4**
Total revenue	**249.0**	**54.9**	**303.9**	**-**	**303.9**

Six months to 31 December 2020 - Unaudited	Media Distribution £m	Smart Utilities Networks £m	Total – continuing operations £m	Discontinued operations £m	Total £m
Rendering of services	260.5	34.9	**295.4**	4.4	**299.8**
Engineering projects	8.5	-	**8.5**	0.5	**9.0**
Sale of goods	-	9.9	**9.9**	-	**9.9**
Total revenue	**269.0**	**44.8**	**313.8**	**4.9**	**318.7**

Year ended 30 June 2021	Media Distribution £m	Smart Utilities Networks £m	Total – continuing operations £m	Discontinued operations £m	Total £m
Rendering of services	508.3	76.0	**584.3**	4.4	**588.7**
Engineering projects	11.2	-	**11.2**	0.5	**11.7**
Sale of goods	-	22.9	**22.9**	-	**22.9**
Total revenue	**519.5**	**98.9**	**618.4**	**4.9**	**623.3**

Reporting by markets
During the year the Group continued to focus its Commercial resources across the Media Distribution and Smart Utilities Networks markets. In addition, the Group has presented separate results for its operational resources as Corporate, Operations and Technology and Transformation. Results for previous periods have been restated to align to these business areas.

Six months to 31 December 2021 (Unaudited)	Commercial		Other				
	Media Distribution	Smart Utilities Networks	Operations	Technology and Transformation	Corporate	Discontinued operations	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue	**249.0**	**54.9**	**-**	**-**	**-**	**-**	**303.9**
Segment result* (EBITDA)	**179.1**	**25.7**	**(12.2)**	**(14.7)**	**(9.9)**	**-**	**168.0**
Depreciation and amortisation							(78.0)
Exceptional operating expenses							(13.0)
Exceptional impairment of assets							(10.0)
Other income							3.8
Operating profit							**70.8**
Finance income							0.9
Finance costs							(136.3)
Other gains and losses							(59.8)
Loss before tax							**(124.4)**

Six months to 31 December 2020 (Unaudited)	Commercial		Other				
	Media Distribution	Smart Utilities Networks	Operations	Technology and Transformation	Corporate	Discontinued operations	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue	**269.0**	**44.8**	**-**	**-**	**-**	**4.9**	**318.7**
Segment result* (EBITDA) (Restated)	**178.7**	**21.2**	**(11.7)**	**(12.2)**	**(9.8)**	**2.5**	**168.7**
Depreciation and amortisation							(92.8)
Exceptional operating expenses							(8.0)
Exceptional impairment of assets							-
Other income							5.8
Operating profit from discontinued operations							(1.9)
Operating profit from continuing operations							**71.8**
Finance income							0.5
Finance costs							(133.9)
Other gains and losses							(62.0)
Loss before tax from continuing operations							**(123.6)**

Year ended 30 June 2021	Commercial: Media Distribution	Commercial: Smart Utilities Networks	Other: Operations	Other: Technology and Transformation	Other: Corporate	Discontinued operations	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue	**519.5**	**98.9**	**-**	**-**	**-**	**4.9**	**623.3**
Segment result* (EBITDA) (Restated)	**351.4**	**40.2**	**(21.4)**	**(24.4)**	**(14.0)**	**2.5**	**334.3**
Depreciation and amortisation							(178.2)
Exceptional operating expenses							(25.6)
Exceptional impairment of assets							-
Other income							9.3
Operating profit from discontinued operations							(1.9)
Operating profit from continuing operations							**137.9**
Finance income							1.1
Finance costs							(268.9)
Other gains and losses							(75.0)
Loss before tax from continuing operations							**(204.9)**

*Segment result is defined as total operating profit before exceptional operating expenses and excluding depreciation, amortisation, profit or loss on disposal of non-current assets, impairment and share of result from joint venture and associates (i.e. EBITDA).

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

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Operating profit from continuing operations	**70.8**	**71.8**	**137.9**
Depreciation	*73.4*	*87.8*	*168.5*
Amortisation	*4.6*	*5.0*	*9.7*
Exceptional operating expenses	*13.0*	*8.0*	*25.6*
Exceptional impairment of assets	*10.0*	*-*	*-*
Profit from discontinued operations	*-*	*1.9*	*1.9*
Other income	*(3.8)*	*(5.8)*	*(9.3)*
EBITDA	**168.0**	**168.7**	**334.3**

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

	Media Distribution	Smart Utilities Networks	Other	**Consolidated**
	£m	£m	£m	**£m**
Capital expenditure:				
For the six months ended 31 December 2021 (Unaudited)	10.3	8.2	22.1	**40.6**
For the six months ended 31 December 2020 (Unaudited)	10.5	9.0	10.3	**29.8**
For the year ended 30 June 2021	16.8	18.5	50.8	**86.1**

Geographical information

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.

	Six months to 31 December 2021 Unaudited £m	**Six months to 31 December 2020 Unaudited £m**	**Year ended 30 June 2021 £m**
UK	301.1	314.7	615.7
Rest of European Economic Area (EEA)	2.7	3.2	6.4
Rest of World	0.1	0.8	1.2
Total revenue	**303.9**	**318.7**	**623.3**

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

	31 December 2021 Unaudited £m	**31 December 2020 Unaudited £m**	**30 June 2021 £m**
UK	2,842.6	2,920.3	2,888.8
Rest of European Economic Area (EEA)	1.9	1.9	1.5
Rest of World	0.1	0.1	-
Total non-current assets	**2,844.6**	**2,922.3**	**2,890.3**

8 Exceptional items

Profit/(loss) on ordinary activities before taxation is stated after (charging) / crediting:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Operating expenses			
Reorganisation and severance	(3.3)	(6.2)	(21.8)
Corporate finance activities	(4.2)	(1.8)	(3.8)
Restoration costs	(5.5)	-	-
	(13.0)	(8.0)	(25.6)
Exceptional impairment of assets	(10.0)	-	-
	(10.0)	-	-
Other exceptional items			
Gain on disposal of discontinued operations	-	1,035.2	1,038.3
	(23.0)	**1,027.2**	**1,012.7**

Reorganisation and severance expenses include costs relating to changes in the organisational design and restructuring of the business and delivery of the Group's transformation programme. This is a one-off multi-year transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings.

Corporate finance activity relates to costs and accruals associated with one off projects, and corporate transactions including refinancing activities.

The restoration costs relate to costs incurred to reinstate services present at the Bilsdale transmitter site following a fire which broke out on 10 August 2021. Engineers have been working on a four-stage recovery plan to reinstate services present on the mast. Phases 1 & 2 included restoring services with works completed for the improvement of TV coverage from our Eston Nab site and an additional 15 metre mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site. Phase 3 of the recovery plan involved the erection of a temporary mast at the Bilsdale site. To date around 98% of households have been returned to coverage for TV and commercial radio has benefited from improved coverage to what it was before the fire. Phase 4 of the recovery plan to complete the enduring solution is ongoing. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Group's insurers. Costs recognised are those which have been incurred to date and can be reliably measured. See note 25 for further details of contingent liabilities and assets in relation to the Bilsdale fire.

The exceptional impairment of assets relates to the impairment of assets damaged by the Bilsdale transmitter site fire discussed above.

The gain on disposal of discontinued operations relates to the sale of the Group's Telecoms infrastructure and related assets on 8 July 2020 as disclosed in note 13.

The exceptional impairment of assets included within exceptional operating expenses is not deductible for the purpose of taxation. The remaining amounts included within exceptional operating expenses above are deductible for the purpose of taxation.

The gain on disposal of the discontinued operation was not subject to UK Corporation tax as it was exempt under the Substantial Shareholding Exemption.

9 Finance income

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Other loans and interest receivable	0.9	0.5	1.1
Total finance income	**0.9**	**0.5**	**1.1**

10 Finance costs

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Interest on bank overdrafts and loans	10.2	9.5	19.9
Other loan interest	36.3	39.2	75.6
Bank and other loan interest	**46.5**	**48.7**	**95.5**
Amortisation of debt issue costs	1.1	1.6	3.9
Interest on lease obligations	3.6	3.6	7.5
Interest payable to other group entities	73.9	67.2	136.6
Other interest	9.3	10.3	20
Total interest payable	**134.4**	**131.4**	**263.5**
Unwinding of discount on provisions (see note 23)	1.9	2.6	5.5
Total finance costs	**136.3**	**134.0**	**269.0**

11 Other gains and losses

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Foreign exchange loss on financing	-	(0.7)	(0.8)
Fair value (loss) / gain on derivative financial instruments (see note 22)	(59.8)	2.2	(10.7)
Break costs	-	(55.9)	(55.9)
Total other gains and losses	**(59.8)**	**(54.4)**	**(67.4)**
Exceptional loss on close out of interest rate swaps	-	(3.7)	(3.7)
Exceptional loss on close out of inflation linked swaps	-	(3.9)	(3.9)
Exceptional other gains and losses	**-**	**(7.6)**	**(7.6)**
Total other losses	**(59.8)**	**(62.0)**	**(75.0)**

12 Tax

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
UK Corporation tax:			
- Current year	(9.6)	0.4	(25.7)
Total current tax (credit) / charge	(9.6)	0.4	(25.7)
Deferred tax (see note 18):			
- Origination and reversal of temporary differences	(7.4)	(11.8)	(11.4)
- Change in unrecognised deferred tax assets	-	51.3	(1.9)
- Prior period adjustment	-	-	6.8
- Impact of rate change	-	-	(42.6)
Total deferred tax	(7.4)	39.5	(49.1)
Total tax (credit) / charge for the period	**(17.0)**	**39.9**	**(74.8)**
Income tax (credit) / expense is attributable to:			
Loss from continuing operations	**(17.0)**	**39.5**	**(80.5)**
Profit from discontinued operations	**-**	**0.4**	**5.7**
	(17.0)	**39.9**	**(74.8)**

The tax charge on ordinary activities is recognised based on management's estimate of the weighted average annual total corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2022 on continuing operations is 13.7% (the estimated tax rate used at 31 December 2020 was 18.6% (excluding the profit on the gain of the discontinued operations)).

The effective tax rate is below the statutory tax rate of 19% on the loss generated in the period principally as a result of the allocation of disallowable interest to the entities within this group. The £9.1m capital contribution (shown in the consolidated statement of changes in equity) reflects a payment to compensate this group for that allocation by parent companies; the combined tax and capital contribution credit would give an effective rate of 21.0%.

The profit on the disposal of the discontinued operation in the year ended 30 June 2021 is not subject to UK Corporation tax as it is exempt under the Substantial Shareholding Exemption.

The main rate of UK corporation tax was 19.0% during the year. On 24 May 2021, Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax to 25% from 1 April 2023. UK deferred tax has been valued at either 19.0% or 25.0% in the periods ended 31 December 2021 and 30 June 2021 (31 December 2020: 19.0%) depending on the period in which it is forecast to unwind.

The current tax credit in each period represents payments due for group relief from other Companies in the Group.

Tax in Consolidated Statement of Comprehensive Income

There is a tax charge of £2.9m (June 2021: charge of £6.6m; December 2020: credit of £0.6m) in respect of the actuarial gain of £11.7m (June 2021: gain of £26.4m; December 2020: loss of £3.0m) in the Consolidated Statement of Comprehensive Income.

13 Discontinued operations

On 8 July 2020, the Group sold its Telecoms infrastructure and related assets including its 100% interest in Arqiva Services Ltd and its subsidiaries. As disclosed in note 12, the profit on the disposal of the discontinued operation is not subject to UK Corporation tax.

The post-tax gain on disposal of discontinued operations was determined as follows:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Total cash consideration received	-	1,945.3	1,942.7
Less cash disposed of	-	0.1	0.1
Less deferred income generated in relation to future services	-	122.2	122.2
Net cash inflow on disposal of discontinued operation	**-**	**1,823.0**	**1,820.4**
Net assets disposed (other than cash)			
Goodwill	-	521.0	521.0
Intangible assets	-	0.9	0.9
Property, plant and equipment	-	601.5	601.5
Trade and other receivables	-	17.7	17.7
Contract assets	-	20.2	20.2
Deferred tax	-	28.5	22.8
Lease liabilities	-	(233.5)	(233.5)
Trade and other payables	-	(9.6)	(9.6)
Contract liabilities	-	(129.6)	(129.6)
Provisions	-	(29.3)	(29.3)
	-	**787.8**	**782.1**
Pre-tax gain on disposal of discontinued operation	-	1,035.2	1,038.3
Gain on disposal of discontinued operation	**-**	**1,035.2**	**1,038.3**

Result of discontinued operations

The results of the discontinued operations are disclosed in the Income Statement.

14 Goodwill

	£m
Cost:	
At 1 July 2021	1,458.4
At 31 December 2021	**1,458.4**
Accumulated impairment losses:	
At 1 July 2021	0.4
At 31 December 2021	**0.4**
Carrying amount:	
At 31 December 2021 (Unaudited)	**1,458.0**
At 31 December 2020 (Unaudited)	1,458.0
At 30 June 2021	1,458.0

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2021	13.7	22.5	15.4	104.7	156.3
Additions	-	0.5	-	0.3	0.8
Transfers from AUC (note 16)	-	-	-	0.7	0.7
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2021	**13.7**	**23.0**	**15.4**	**105.6**	**157.7**
Accumulated amortisation					
At 1 July 2021	8.2	11.2	15.4	81.2	116.0
Charge for the period	0.5	0.7	-	3.4	4.6
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2021	**8.7**	**11.9**	**15.4**	**84.5**	**120.5**
Carrying amount					
At 31 December 2021 (Unaudited)	**5.0**	**11.1**	**-**	**21.1**	**37.2**
At 31 December 2020 (Unaudited)	5.8	11.5	-	25.4	42.7
At 30 June 2021	5.5	11.3	-	23.5	40.3

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 2021	326.5	149.7	1,821.8	128.8	2,426.8
Additions	0.4	0.9	0.4	41.3	43.0
Completion of AUC	1.3	-	18.6	(19.9)	-
Transfers to intangibles (Note 15)	-	-	-	(0.7)	(0.7)
Disposals	-	(1.7)	(14.2)	-	(15.9)
At 31 December 2021	**328.2**	**148.9**	**1,826.6**	**149.5**	**2,453.2**
Accumulated depreciation					
At 1 July 2021	58.9	57.4	918.5	-	1,034.8
Charge for the period	3.3	5.4	64.7	-	73.4
Impairment	-	-	10.0	-	10.0
Disposals	-	(0.2)	(14.2)	-	(14.4)
At 31 December 2021	**62.2**	**62.6**	**979.0**	**-**	**1,103.8**
Carrying amount					
At 31 December 2021 (Unaudited)	**266.0**	**86.3**	**847.6**	**149.5**	**1,349.4**
At 31 December 2020 (Unaudited)	264.8	99.4	940.7	116.6	1,421.5
At 30 June 2021	267.6	92.3	903.3	128.8	1,392.0

17 Trade and other receivables

	31 December 2021 Unaudited	31 December 2020 Unaudited	30 June 2021
	£m	£m	£m
Trade receivables	62.9	56.1	58.2
Amounts receivable from other Group entities	32.1	17.2	24.0
Other receivables	4.1	4.2	1.7
Prepayments	24.7	25.8	25.0
Taxation and social security	-	-	9.4
	123.8	**103.3**	**118.3**
Contract assets	**17.4**	**39.7**	**28.9**

Amounts receivable from other Group entities are unsecured and repayable on demand.

18 Deferred tax

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Deferred tax asset	**235.4**	**131.4**	**227.5**
Deferred tax liability	**15.2**	**2.4**	**11.7**

The deferred tax asset relates predominately to fixed asset temporary differences, derivative financial instruments and tax losses. The deferred tax liability relates to retirement benefits. The Group continues to recognise the net deferred tax asset based on long-term forecast taxable profits that will arise. Forecasts used are consistent with those used for goodwill impairment testing. No tax attributes have a time expiry. The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

19 Cash and cash equivalents

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Cash at bank	250.9	164.3	9.4
Short term deposits	26.0	40.0	218.1
Total cash and cash equivalents	**276.9**	**204.3**	**227.5**

20 Trade and other payables

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Current			
Trade payables	43.4	26.2	40.9
Amounts payable to other Group entities	1,444.2	1,343.0	1,396.8
Taxation and social security	11.7	12.5	-
Other payables	2.6	4.6	3.7
Accruals	47.9	56.1	54.3
Total current trade and other payables	**1,549.8**	**1,442.4**	**1,495.7**
Contract liabilities	**103.8**	**103.1**	**92.4**
Non-Current			
Contract liabilities	**338.8**	**319.8**	**324.4**

Amounts payable to other Group entities are unsecured, interest free, and are repayable on demand.

21 Borrowings

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Within current liabilities:			
Lease liabilities	20.2	20.7	21.0
Senior bonds and notes (amortising)	67.6	39.5	56.7
Accrued interest on junior and senior financing[1]	11.1	10.0	11.0
Borrowings due within one year	**98.9**	**70.2**	**88.7**
Within non-current liabilities:			
Bank loans	**261.6**	**261.0**	**261.5**
- *Senior debt*	*262.0*	*262.0*	262.0
- *Issue costs*	*(0.4)*	*(1.0)*	(0.5)
Other loans	**1,288.6**	**1,352.9**	**1,324.8**
- *Senior bonds and notes*	*670.3*	*738.0*	707.4
- *Junior bonds*	*625.0*	*625.0*	625.0
- *Issue costs*	*(6.7)*	*(10.1)*	(7.6)
Amounts payable to other group entities	**45.2**	**45.2**	**45.2**
Lease liabilities	**77.7**	**90.9**	**86.3**
Borrowings due after more than one year	**1,673.1**	**1,750.0**	**1,717.8**

All borrowings are denominated in Sterling.

The majority of the balances within amounts payable to other Group entities were formalised under a single subordinated loan agreement with the direct parent company which has a long-term maturity date of 2033. These loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower.

The fair value of the senior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £539.3m (31 December 2020: £586.0m; 30 June 2021: £561.7m) whilst their carrying amount was £457.3m (31 December 2020: £484.0m; 30 June 2021: £470.4m).

The fair value of the junior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £635.1m (31 December 2020: £646.7m; 30 June 2021: £643.0) whilst their carrying value was £625.0m (31 December 2020: £625.0m; 30 June 2021: £625.0).

The Directors consider the fair value of all other borrowings to be a close approximate to their carrying value.

The weighted average interest rate of borrowings is 5.64% (31 December 2020: 5.51%; 30 June 2021: 5.50%).

An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Borrowings fall due within:			
One year	87.8	60.2	88.7
One to five years	1,153.9	1,159.3	1,164.0
More than five years	526.3	601.8	561.9

[1] The balance at 31 December 2021 is shown net of £nil (31 December 2020: £1.1m; 30 June 2021 £nil) interest receivable under swap arrangements associated with the underlying financing.

Total	**1,768.0**	**1,821.3**	**1,814.6**

Bank loans entirely comprise **senior debt**. **Other loans** are comprised from the Group's **senior bonds & notes** and **junior bonds**.

Senior debt includes an institutional term loan with £90.0m outstanding (31 December 2020: £90.0m; 30 June 2021: £90.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £172.0m outstanding (31 December 2020: £172.0m; 30 June 2021: £172.0m) with an expected maturity date of June 2024. On 9 July 2021, the Group refinanced its bank facilities and now has access to a £100.0m Working Capital Facility maturing in 2024 and a 25 year £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA of between 120 and 130bps. The facilities had £nil drawings as at 31 December 2021 (31 December 2020: £nil; 30 June 2021: £nil).

For further information on the Group's liquidity risk management, see note 5.

Senior bonds and notes include a combination of publicly listed bonds and US private placement notes.

As at 31 December 2021, the Group has £457.3m sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34%. These bonds have scheduled amortisation between June 2022 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. The Group has £280.6m (31 December 2020: £293.4m; 30 June 2021: £293.4m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between June 2022 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

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 £625.0m (31 December 2020: £625.0m; 30 June 2021: £625.0m) represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 6.75% and are repayable in September 2023. These notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

22 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 31 December 2021 was 6.1% (31 December 2020: 6.0%; 30 June 2021: 5.5%). The weighted average period of funding was 3.9 years (31 December 2020: 4.8 years; 30 June 2021: 4.9 years).

Within the Group's financial liabilities were borrowings of £1,768.0m excluding issue costs and accrued interest (31 December 2020: £1,821.3m; 30 June 2021: £1,814.6m) (see note 21), which includes £542.6m (31 December 2020: £555.4m; 30 June 2021: £555.4m) with floating interest and the remainder with fixed interest (prior to hedging arrangements).

Derivative financial instruments
The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the period end, the Group held interest rate swaps with notional amounts of £436.2m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 0.2%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 21).

The Group has also entered into index linked swaps (notional amount of £681.8m) where it receives floating and pays fixed interest obligations to an average rate of 2.908% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in June. All of these instruments have a maturity date of April 2027. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £614.7m of fixed to floating rate interest rate swaps to partially offset the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The fair value of the interest rate and inflation swaps at 31 December 2021 is a liability of £346.1m (31 December 2020: £321.9m; 30 June 2021: £326.3m). This fair value is calculated using a risk-adjusted discount rate.

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 and inflation rate swaps (as disclosed below) 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.

The following table details the fair value of financial instruments recognised on the statement of financial position:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Within non-current assets			
Interest rate swaps	15.1	-	7.2
Within non-current liabilities			
Interest rate swaps	-	(1.0)	-
Inflation-linked interest rate swaps (including principal accretion of £39.6m; 31 December 2020: £5.7m; 30 June 2021: £nil)	(400.8)	(326.6)	(333.1)
	(400.8)	(327.6)	(333.1)
Total	**(385.7)**	**(327.6)**	**(325.9)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	(55.9)	6.0	(1.0)
- Attributable to changes in perceived credit risk	(3.9)	(3.8)	(9.7)
Total (loss) / profit recognised in the income statement	**(59.8)**	**2.2**	**(10.7)**
Cash settlement of principal accretion on inflation-linked swaps	-	-	14.5
Cash outflow on redemption of swaps	-	396.5	396.5
Exceptional loss recognised on close out of inflation linked swaps	-	(3.9)	(3.9)
Exceptional loss recognised on close out of interest rate swaps	-	(3.7)	(3.7)
Total change in fair value	**(59.8)**	**391.1**	**392.7**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued.

23 Provisions

	Decommissioning	Restructuring	Remediation and maintenance	Onerous Contracts	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2021	71.4	2.0	5.1	3.7	6.6	88.8
Unwind of discount (note 10)	1.8	-	0.1	-	-	1.9
Released to income statement	-	-	(0.5)	(0.8)	(1.6)	(2.9)
Charged to income statement	0.5	-	-	-	1.0	1.5
At 31 December 2021 (Unaudited)	**73.7**	**2.0**	**4.7**	**2.9**	**6.0**	**89.3**
At 31 December 2020 (Unaudited)	71.9	1.4	5.1	-	5.2	83.6
At 30 June 2021	71.4	2.0	5.1	3.7	6.6	88.8

	31 December 2021 Unaudited	31 December 2020 Unaudited	30 June 2021
	£m	£m	£m
Analysed as:			
Current	4.4	2.8	3.2
Non-current	84.9	80.8	85.6
	89.3	**83.6**	**88.8**

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision is in relation to assets of which the remaining useful economic life ranges up to 20 years, with the majority of the provision relating to TV and Radio products for which there is no material decommissioning expected before 2040.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group.

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 other items which are expected to be utilised over the next one to ten years.

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Operating profit	70.8	73.7	139.8
Adjustments:			
Depreciation of property, plant and equipment	73.4	87.8	168.5
Amortisation of intangible assets	4.6	5.0	9.7
Impairment	10.0	-	-
Loss on disposal of property, plant and equipment	-	-	3.1
Other income	(3.8)	(5.8)	(9.3)
Operating cash flows before movements in working capital	**155.0**	**160.7**	**311.8**
Decrease in receivables	9.7	4.9	20.4
Increase in payables	14.3	46.2	47.5
(Decrease) / increase in provisions	(1.5)	0.2	5.4
Curtailments relating to the defined benefit Pension Plan	-	-	1.1
Cash generated from operating activities	**177.5**	**212.0**	**386.2**
Taxes paid	-	(0.5)	24.2
Net cash inflow from operating activities	**177.5**	**211.5**	**410.4**

Analysis of changes in financial liabilities:

	At 1 July 2021 £m	Changes in financing cash flows (Cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 31 December 2021 £m
Current borrowings (Note 21)	77.7	(39.8)	-	49.9	87.8
Non-current borrowings (Note 21)	1,717.8	-	-	(44.7)	1,673.1
Accrued interest on borrowings (Note 21)	11.0	(46.9)	-	47.0	11.1
Derivative financial instrument Liabilities (Note 22)	325.9	(8.0)	67.8	-	385.7
Total	**2,132.4**	**(94.7)**	**67.8**	**52.2**	**2,157.7**

25 Financial commitments and contingent liabilities

Financing commitments
Under the terms of the Groups 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:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Within one year	13.8	16.5	23.1
Within two to five years	-	-	-
Total capital commitments	**13.8**	**16.5**	**23.1**

There are no capital commitments payable in more than five years.

Contingent assets and liabilities

Bilsdale Tower Fire
On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Arqiva's engineers have worked on a four-stage recovery plan to reinstate services delivered via this site. Through efforts utilising existing and temporary infrastructure, to date around 98% of households have been returned to a coverage area for TV and commercial radio benefited from improved coverage to what it was before the fire. Arqiva continues to engage with local stakeholders, including viewers, MPs, local government and the media through its Bilsdale Mast: Project Restore programme. The cause of the fire remains under investigation and management are still assessing the financial impact of the incident and continue to engage with the Group's insurers.

These financial statements include provisions for impairment of assets damaged or destroyed in the incident of £10.0m and costs incurred in the period for restoration of services of £5.5m. Management continues to work with specialist advisors to conclude on the cause of the fire and in turn to assess the potential financial penalties and service credits that may be due to third parties. At the current time it is not possible to determine the expected outcome or quantification of such amounts and therefore the Director's consider this represents a contingent liability. The group holds comprehensive insurance coverage and management continues to engage with the group's insurers to assess the value of losses and restoration costs, at the current time such insurance claims are considered contingent assets and are also not therefore recognised in the statement of financial position in accordance with accounting standards.

26 Leases

Leases as lessee (IFRS 16)

The group holds lease arrangements primarily relating to land and buildings, circuit contracts and vehicles.

Right of use assets
Right-of-use assets related to leased properties and land (other than investment property) are presented as property, plant and equipment. Plant and equipment leases relate to the use of fibre, other fixed telecommunications lines, and IT equipment.

	Leasehold buildings £m	Plant and equipment £m	Total £m
Balance at 1 July 2021	64.6	35.3	99.9
Depreciation charge for the year	(4.6)	(6.7)	(11.3)
Additions to right of use assets	2.1	0.4	2.5
Derecognition of right of use assets	(1.7)	-	(1.7)
Balance at 31 December 2021	**60.4**	**29.0**	**89.4**

Amounts recognised in the Income Statement

Leases under IFRS 16	**Six months to 31 December 2021 Unaudited £m**	**Six months to 31 December 2020 Unaudited £m**	**Year ended 30 June 2021 £m**
Interest on lease liabilities	3.6	3.6	7.4
Expenses relating to variable lease payments not included in the measurement of lease liabilities	1.8	5.1	5.7

Amounts recognised in the cashflow statement

	Six months to 31 December 2021 Unaudited £m	**Six months to 31 December 2020 Unaudited £m**	**Year ended 30 June 2021 £m**
Total cash outflow for leases	13.7	13.1	48.1

27 Related party transactions

Balances and transactions between Group entities, 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 28.

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.

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**		
	Six months to 31 December 2021 £m	**Six months to 31 December 2020 £m**	**Year ended 30 June 2021 £m**	**Six months to 31 December 2021 £m**	**Six months to 31 December 2020 £m**	**Year ended 30 June 2021 £m**
Associates	0.1	-	-	0.1	3.2	3.6
Joint ventures	2.2	2.0	3.8	1.2	1.4	2.0
Entities under common influence	1.5	1.2	16.9	-	1.0	15.4
Other group entities	28.7	25.9	49.2	-	-	-
	32.5	**29.1**	**69.9**	**1.3**	**5.6**	**21.0**

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 31 December 2021, the amount payable to joint ventures was £0.2m (31 December 2020: £nil; 30 June 2021: £0.3m). There were no amounts receivable from joint ventures as at 31 December 2021 (31 December 2020: £nil; 30 June 2021: £nil).

As at 31 December 2021, the amount receivable from associates was £nil (31 December 2020: £0.4m; 30 June 2021: £0.2m). There were no amounts payable to associates as at 31 December 2021 (31 December 2020: £nil; 30 June 2021: £nil).

As at 31 December 2021, the amount receivable from entities under common influence was £3.4m (31 December 2020: £0.8m; 30 June 2021: £5.0m). There were no amounts payable to entities under common influence as at 31 December 2021(31 December 2020: £nil; 30 June 2021: £nil).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 29) are set out in notes 17, 20 and 21.

28 Retirement benefits

Defined benefit scheme
In the period to 31 December 2021, the Group operated one defined benefit plan ('the 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 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 17 years.

The triennial valuation carried out as at 30 June 2020, was approved and signed on 27 January 2022, has been used for the purposes of measuring the plan assets and the present value of the defined benefit liability. This was carried out by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the latest triennial valuation figures.

Amounts recognised in the income statement in respect of the defined benefit plan were as follows:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Components of defined benefit finance income recognised in profit or loss	(0.5)	(0.1)	(0.8)
	(0.5)	**(0.1)**	**(0.8)**

The net interest item has been included within finance income (see note 9). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Return on Plan assets excluding Interest Income	18.9	14.7	12.2
Experience gains arising on the Plan's liabilities	-	-	5.3
Actuarial (losses) / gains arising from changes in financial assumptions	(7.2)	(17.7)	8.3
Actuarial gains arising from changes in demographic assumptions	-	-	0.6
	11.7	**(3.0)**	**26.4**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan were as follows:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Fair value of Plan assets	314.3	301.5	295.9
Present value of Plan liabilities	(253.2)	(282.9)	(248.8)
Surplus	**61.1**	**18.6**	**47.1**

29 Controlling parties

The Company's immediate parent undertaking is Arqiva Intermediate Limited ('AIL'). Arqiva Group Limited ('AGL') is the ultimate UK parent undertaking and is the largest Group in which these financials are consolidated.

AGL is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II plus other Macquarie managed funds, Health Super Investments, IFM Investors Global Infrastructure Fund and the Motor Trades Association of Australia.

Arqiva Group Parent Limited

Registered number 08085794

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2021

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Interim financial report

The Directors of Arqiva Group Parent Limited ('AGPL'), registered company number 08085794, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2021.

Cautionary statement
This interim financial report ('IFR') 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 IFR, 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 utilities 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.

Business overview

Arqiva is one of the UK's leading communications infrastructure and media services providers, with significant investments in essential communications infrastructure. The Group's core business comprises of Media Distribution and Smart Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The Group had a contracted orderbook of £3.9bn as at 30 June 2021.

Recent developments since 30 June 2021

Media Distribution

Government (DCMS) updates
In August 2021 the DCMS published the outcome of its consultation on DTT Multiplex licences stipulating that all national DTT multiplexes may be renewed for a further period until 2034, providing Ofcom with the power to renew the licences until this date. The decision and statement demonstrate strong long-term Government support for the DTT platform.

Separately, the Government continues its ongoing strategic review of public service broadcasting, which includes a number of elements. In June 2021 the DCMS outlined plans to consult on the sale of Channel 4 with the consultation closing in September 2021, with responses still being analysed. It also announced plans to review the regulation of video on demand platforms. In July 2021 Ofcom published a set of recommendations to the Government on the future of Public Service Media (PSM) as part of its 'Small Screen: Big Debate' review. Ofcom's report makes clear the ongoing importance of public service media and the importance of continuing to reach the widest possible audience and deliver universality. The Government is now considering these recommendations and plans to publish a white paper sometime in early 2022.

In January 2022 the Culture Secretary announced that the BBC licence fee will remain at £159 per annum until 2024 and then rise in line with inflation for the following four years (until 2028). Arqiva has long-term contracts with the BBC which are not impacted by short-term changes in its funding. The Government has also announced its intention to review the licence fee funding model for the BBC. We will engage with this process when further information becomes available.

DTT[1] Multiplexes
DTT multiplex channel utilisation has remained high at 97% as at the end of December 2021.

Radio
In January 2022 the DCMS released the outcome of its consultation on National commercial DAB licencing proposing an automatic renewal of both Digital One (Arqiva 100% ownership) and Sound Digital (Arqiva has 40% ownership) to December 2035. This announcement underpins the growing importance of DAB radio and secures a stable future for the platform over the next decade and beyond.

Both national multiplexes remain full and utilisation of local muxes continues to grow with some also reaching full capacity.

The Government published the Digital Radio and Audio Review in October 2021. The review supports the need to protect The Government published the Radio and Audio Review in October 2021. The review supports the need to protect spectrum for Radio to 2030 and beyond with no full analogue switch-off within this period. Separately, we expect retirement of some AM services within the current plan.

An extension has been agreed on the Absolute MF network with numerous other renewal and extension conversations taking place across the analogue platforms. The general health of the market continues to improve in the absence of COVID lockdowns, we have seen large-scale re-engineering programs to ensure the platform is reliable for the coming years progressing.

Low Earth Orbit Market
Arqiva continues to develop opportunities in the Low Earth Orbit market by establishing connections to multiple satellites. The technology can for example provide satellite broadband anywhere in the world. Key players in this sector are SpaceX, Blue Origin and the recent UK Government investment in OneWeb plus established satellite operators such as Telesat and ViaSat. The Group has now secured two customers at the reporting date of these interim financial statements.

Smart Utilities Networks

Anglian Water
Following the award of the Anglian Water contract in June 2020, the Group has rolled out 264,000 meters by 31 December 2021 out of the overall target of 789,000 by 2025 across 24 planning zones including Norwich, Lincoln, Northampton and Peterborough, among others.

Thames Water
Since April 2015, Arqiva has delivered a smart metering network for Thames Water and as at 31 December 2021, there were over 665,000 meters installed and well over 12 million meter readings being delivered per day. It is currently the largest smart water metering network in the UK and has high coverage across the Thames Water London region. Recently, Arqiva has installed a network in the Haslemere, Guildford area which is Thames Water's first smart meter deployment outside London. In December 2021, the contract was extended for a further 10 years to 2031.

Other Water Utilities contracts
Arqiva has been selected by Northumbrian Water Group to deliver an initial roll-out of a smart metering network in Essex, where it operates as 'Essex & Suffolk Water'. The five-year contract will see Arqiva building and monitoring the fixed-network infrastructure, delivering connectivity to up to 11,000 domestic meters. The network went live in May 2021, along with the meter installation programme, to date around 6,000 meters have been connected. Northumbrian Water will take the learnings from this initial phase for subsequent larger scale deployments in 2022.

Other Smart Water Metering Trials
Arqiva was also awarded a two-year contract by Yorkshire Water to deliver and monitor a smart metering fixed-network trial. This will see Arqiva build and monitor the fixed-network infrastructure to facilitate the operation of new smart water meters for non-household customers across 30 of Yorkshire Water's areas. Our network went live and meter installations began in 2020 with rollout continuing through 2021. Yorkshire Water has taken the learnings from this trial and are tendering for larger scale deployments.

In the Midlands, Arqiva has been participating in a multi-vendor, multi-technology smart water metering evaluation trial with a major water company. Over this period, we have again proven the excellent performance of our technology and managed service. We are extending and expanding the trial for a further 12 months, on an exclusive basis, enabling the water company to evaluate fully the benefits and establish a business case for a future full smart metering roll-out. Orders have been received for the trial extension and meters will be deployed early in 2022.

Water Sector Update
In July 2021, the Final Determinations were announced in respect of the Government special Green Economic Recovery funding programme, OfWat has allowed significant spend for additional Smart Water Metering Programmes to be completed by April 2025. These awards have been made to Thames Water, Severn Trent Water and South West Water.

[1] DTT refers to Digital Terrestrial Television

Arqiva also commissioned and published an independent research from Frontier and Artesia which provided cost-benefit analysis for smart water meter rollout and found that a coordinated rollout of smart water metering would deliver £4.4 billion in benefits to society against costs of £2.5 billion, representing a net benefit of £1.9 billion. These savings come from improved leakage control and network management and Arqiva is well placed to take advantage of these opportunities.

Smart energy metering rollout
The Group's smart metering communication network in the North of England and Scotland now covers 99.5% of premises. There are currently over 1 million communications hubs operating on the network representing 20% of the total UK communication hub installations. Whilst there has been an impact to comms hub deliveries owing to global component shortages, energy companies do have a level of pre-existing stock and we continue to work with Smart DCC Ltd (The DCC) to mitigate risk. The DCC continues to submit change requests that reflect new industry requirements and we maintain a strong pipeline.

Whilst we are seeing a number of energy companies closing, their customers and obligations are being taken up by other suppliers under a pre-existing process operated by Ofgem for such eventualities. We currently envisage no impact to the smart meter rollout programme which is now governed by rollout obligations set by Ofgem.

New proof of concepts
Arqiva has engaged with utility customers and industry suppliers as it seeks to expand its presence in the smart utilities industry. The Hybrid Connectivity Proof of Concept (PoC) with SGN is progressing well and will feed into their anticipated 'Strategic Connectivity' procurement exercise later this year. We have also invested in and are building a demonstration facility at our Chalfont site and expect that to be available in the summer. Our 'Leakage as a Service' PoC has been well received and we are now engaged in a programme of work with Thames Water to train and verify the Artificial Intelligence model. Sewer Level Monitoring PoC also has strong interest with beta samples expected later this year.

Corporate Update

Bilsdale Tower Fire
On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Arqiva's engineers have worked on a four-stage recovery plan to reinstate services delivered via this site. Through efforts utilising existing and temporary infrastructure, to date around 98% of households have been returned to a coverage area for TV. Arqiva continues to engage with local stakeholders, including viewers, MPs, local Government and the media through its Bilsdale Mast: Project Restore programme. The cause of the fire remains under investigation and management are still assessing the financial impact of the incident and continue to engage with the Group's insurers.

Sale of telecoms business
Following the sale of the Telecoms business to Cellnex in July 2020, Arqiva has been supporting Cellnex's UK business via Transitional Services Agreements (TSA) and as planned all TSAs have now completed, moving into a business as usual relationship under the existing site share arrangements.

Transformation Programme update
The Transformation Programme has continued in the period with further releases across our Site Management Platform (Siterra), Service Management (ServiceNow), and Financial Management (Oracle ERP) platforms. In turn, this continues to position Arqiva to be more responsive, agile and efficient through the increased use of data, automation and busines intelligence in its existing day-to-day operations delivering for current and future customers. The programme is expected to complete by the end of the financial year.

Ratings Update
In October 2021, S&P upgraded Group's senior debt rating to BBB+ reflecting the revised business plan as well as the significant deleveraging from the sale of the telecoms business proceeds; it continues to be rated BBB by Fitch.

Financial results
The following table summarises the headline financials for the period:

	Six Months Ended 31 December		
	2021	**2020**	**% Change**
	(Unaudited) £ millions		
Revenue			
Commercial			
Media Distribution	249.0	269.0	(7.4)%
Smart Utilities Networks[2]	54.9	44.8	22.5%
Total continuing operations revenue	**303.9**	**313.8**	**(3.2)%**
Discontinued operations	-	4.9	(100.0)%
Total Group revenue	**303.9**	**318.7**	**(4.6)%**
EBITDA[3]			
Commercial			
- Media Distribution	179.1	178.7	0.2%
- Smart Utilities Networks	25.7	21.2	21.2%
Other			
- Corporate	(9.9)	(9.8)	(1.0)%
- Operations	(12.2)	(11.7)	(4.3)%
- Technology and Transformation	(14.7)	(12.2)	(20.5)%
Total continuing operations EBITDA	**168.0**	**166.2**	**1.1%**
Discontinued operations	-	2.5	(100)%
Total EBITDA	**168.0**	**168.7**	**(0.4)%**
Net cash inflow from operating activities	177.5	211.6	(16.1)%
Net capital expenditure	(40.6)	(29.8)	(36.2)%
Net financial investment	-	-	0.0%
Operating cash flow after capital and financial investment activities	**136.9**	**181.8**	**(24.7)%**

Income Statement

During the prior financial year the Group changed its organisational structure, moving away from the traditional business units and adopting an integrated operating model to better serve our customers. Consequently, during the period to 31 December 2022, the financial results of the Group are now presented on a functional basis. This includes the Commercial revenue generating function of the business which includes the customer facing segments of Media Distribution and Smart Utilities Networks, supported by Operations including maintenance and estates management, Technology and Transformation and Corporate including the Group's finance, legal and HR services. The segmental EBITDA results for the Group for the prior year period have been restated to align to this new structure presentation.

Revenue

For the six month period ended 31 December 2021, revenue for the Group was £303.9m, a decrease of 4.6% from the prior year period. Included within revenue is £nil (31 December 2020: £4.9m) associated with discontinued operations related to the Group's telecoms infrastructure and related assets which were sold to Cellnex on 8 July 2020. Revenue from continuing operations has decreased 3.2%. All revenue is associated with the commercial function of the business.

[2] For the avoidance of doubt, Smart Metering machine-to-machine financials included in this report refer solely to the AGPL financials.
[3] EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that are not considered to reflect the underlying performance of the business.

Media Distribution

Revenue for the Group's media distribution business during the six month period ended 31 December 2021 was £249.0m, representing a 7.4% decrease from £269.0m in the prior year period. This decrease has been driven by natural reduction on the 700MHz Clearance programme as expected as the programme reached completion of major works in the prior year period, remaining completion activities are ongoing. Revenue decreases have also arisen from the ending of TSA agreements following the sale of the Telecoms business. While further decreases in revenue are due to run rate of terminations and pricing from the prior year on some of the Group's UK DTH, managed media services and multiplex products, channel utilisation on the Group's main (DVB-T) multiplexes has remained strong at 97% at 31 December 2021. These decreases have been partially offset by increases in core TV and radio products due to RPI-linked increases on contracts.

Smart Utilities Networks

Revenues from utilities have increased 22.5% period on period from £44.8m to £54.9m. The increase is driven by the continued ramp up of revenues from water metering contracts including strong device sales. There have been further increases in recurring revenues from incremental smart energy metering change requests.

EBITDA

For the six months ended 31 December 2021 EBITDA (as defined in Note 7) for the total reported Group was £168.0m, a 0.4% decrease from £168.7m in the prior year period. Excluding the EBITDA from the telecoms business sold in the prior year period, continuing operations EBITDA has increased 1.1% from £166.2m to £168.0m.

Media Distribution

EBITDA for the Group's Media Distribution business during the six month period ended 31 December 2021 was £179.1m, representing a 0.2% increase from £178.7m in the prior year period. Despite the decrease in revenue including the wind down of the 700MHz clearance programme and lower fee contract renewals explained above, the media distribution products have benefitted from a reduction in costs leading to EBITDA remaining broadly flat year on year. These cost savings include a decrease in staff costs driven by a reduction in headcount as well as satellite capacity cost savings.

Smart Utilities Networks

EBITDA for the utilities business has increased 21.2% from £21.2m to £25.7m. This increase is driven by the increases in revenues for both the ramp up of water metering contracts and incremental change requests on energy metering contracts. The gross margin is however impacted by the relatively higher increase in lower margin device revenues.

Corporate

Corporate EBITDA represents costs for the support functions such as finance, legal and HR services. EBITDA for this function has increased in cost 1.0% to a loss of £9.9m for the six month period to 31 December 2021 from a loss of £9.8m in the prior year period.

Operations

The new operations functional segment is responsible for the efficient operation and maintenance of all Arqiva services including field engineers, disaster recovery and network operations. EBITDA for the operations segment has increased in cost £0.5m from a loss of £11.7m in the prior year period to a loss of £12.2m in the six months to 31 December 2021. The increase is predominantly due to staff costs and changes in the nature of projects being worked on by the team.

Technology and Transformation

EBITDA for the Technology and Transformation function for the six month period ended 31 December 2021 was a loss of £14.7m, a 20.5% increase in cost from a loss of £12.2m in the prior year period. The increase in cost is due to managed service and software costs related to the Group's digital enterprise platforms as we move to more cloud operated systems.

Depreciation

Depreciation for the Group during the six month period ended 31 December 2021 was £73.4m, a decrease of 15.8% from the prior year period figure of £87.2m for continuing operations. The decrease is driven by a reduction in accelerated depreciation from the prior year period particularly in connection with assets replaced under the 700MHz Clearance Programme as the programme winds down.

Amortisation

Amortisation for the Group during the six month period ended 31 December 2021 was £4.6m, remaining consistent with the prior year period figure of £5.0m.

Exceptional operating expenses

Exceptional operating expenses for the Group during the six month period ended 31 December 2021 were £13.0m, increased from £8.0m during the prior year period. Exceptional items charged to operating profit in the current year related to transaction costs associated with one off projects including costs associated with the changes in the organisational design of the business and refinancing activities.

Included in the current period are £5.5m of expenses (31 December 2020: £nil) incurred in the restoration of services associated with the Bilsdale transmitter following a fire which broke out on 10 August 2021. Engineers have been working on a four-stage recovery plan to reinstate services present on the mast. Phases 1 & 2 included restoring services with works completed for the improvement of TV coverage from our Eston Nab site and an additional 15 metre mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site. Phase 3 of the recovery plan involved the erection of a temporary mast at the Bilsdale site. To date around 98% of households have been returned to coverage for TV and commercial radio has benefited from improved coverage to what it was before the fire. Phase 4 of the recovery plan to complete the enduring solution is ongoing. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Group's insurers. Costs recognised are those which have been incurred to date and can be reliably measured.

An exceptional impairment charge has also been recognised in the income statement for £10.0m (31 December 2020: £nil) related to assets damaged due to the fire at the Bilsdale site.

Net bank and other loan interest

Net bank and other loan interest for the Group for the six month period was £25.5m compared to £27.6m in the prior year period. This decrease was as a result of reduced principal amounts outstanding following repayments made on amortising debt instruments in the prior year.

Other interest

Other interest for the continuing operations of the Group for the six month period was £14.9m, compared to £17.2m in the prior year period. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs, interest on lease obligations and imputed interest.

Interest payable to group undertakings

Interest payable to group undertakings for the six month period was £93.8m, compared to £89.7m in the prior year period. The increase is due to the compounding of outstanding interest balances.

Other gains and losses

Other gains and losses include net losses of £59.8m (31 December 2020: £2.2m gain) recognised as a result of fair value movements of swaps, principally attributable to the increase in forward inflation expectations partially offset by increases in forward interest rates. The prior year period also included £0.7m of foreign exchange gains and one off costs not repeated in the current period including break costs on debt refinancing of £55.9m and losses on the swaps exited and recouponed in the period of £7.6m.

Financial position

As at 31 December 2021 net liabilities for the Group were £534.0m, an increase of 19.8% from £445.9m in the prior year period. The net liability position is primarily driven by the borrowings and derivative financial instruments held by the Group.

Cash Flow

A reconciliation of the reported EBITDA to net cash inflow from operating activities is provided below:

	Six months ended 31 December 2021 (Unaudited) £m	Six months ended 31 December 2020 (Unaudited) £m
EBITDA	168.0	168.7
Exceptional items	(13.0)	(8.0)
Working capital	23.9	51.2
Other	(1.4)	(0.3)
Net cash inflow from operating activities	**177.5**	**211.6**

Net cash inflow from operating activities for the six month period ended 31 December 2021 was £177.5m compared to £211.6m for the prior year period, representing an 16.1% decrease. This decrease is primarily driven by lower working capital inflows in the current year due to the recognition of additional one-off contract liabilities in the prior year period not repeated following the sale of the Telecoms business.

The Group's business is not seasonal in nature. Annual staff bonus payments are made in the first half of the year. The working capital inflow for the six months to 31 December 2021 was driven by an increase in contract liabilities due to the recognition of additional deferred income in relation to the Group's smart metering contracts, partially offset by the utilisation of cash received from customers in advance, decreasing previously recognised deferred income balances as well as timing of payments, typical with historical trends of the business.

Net capital expenditure in the six month period ended 31 December 2021 was £40.6m compared with £29.8m in the prior year period. The movement in the cash outflow is driven by the timing of cash payments made on the settlement of capital expenditure accrual balances. Capital expenditure has increased due to water metering as site build progresses and increases in maintenance on networks. This has been offset by decreases in expenditure on capital projects such as 700MHz clearance following the completion of major works in the prior year and a decrease in transformation in line with programme progression. The movement in the cash outflow is driven by the timing of cash payments made on the settlement of capital expenditure accrual balances. A further £3.5m of capital expenditure has also been incurred in the year in relation to capital works on the Bilsdale transmitter site including the erection of temporary masts and site improvements following the fire in August 2021 as explained above in exceptionals.

Operating cash flow after all capital and financial investment activities was £136.9m compared to £181.8m in the prior year period, representing a decrease of 24.7%. This is principally driven by the change in working capital inflows and capital expenditure explained above.

Total cash for the Group has decreased by £180.5m in the six month period ended 31 December 2021 (31 December 2020: £125.7m inflow; 30 June 2021: £149.2m inflow). The total outflow for the period has been driven by the payment to the parent company.

Operational delivery

The Group continues to deliver projects and engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract which continued to achieve 99.5% network coverage of premises in the North of England and Scotland to December 2021;

- 700MHz Clearance. Major works clearance events were successfully completed in August 2020. Project completion activities are continuing.

Other Key Performance Indicators (KPIs) for the Group are the level of network availability across both TV and radio infrastructure. The Group's total level of network availability across both TV and radio infrastructure was 99.99% during the six months ended 31 December 2021 (six months ended 31 December 2020: 99.98%).

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30 June 2021, which is available from the Group's website at www.arqiva.com.

Investors in people
Arqiva holds an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. Arqiva has also been awarded the IIP Health and Wellbeing Good Practice Award, confirming our commitment to support the health and wellbeing of our colleagues.

ISO certification and Cyber security
Arqiva holds certification to ISO/IEC 27001:2013. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. 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. Arqiva has held this certification since 2013 and re-certifies every three years with re-certification last given in May 2020.

Arqiva also holds Cyber Essentials certification. Cyber Essentials 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 2016 and recertifies annually.

Going concern
The Group adopts the going concern basis in preparing these interim financial statements. 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 our current operation, including our contractual and commercial commitments both in terms of capital programmes and financing. The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Directors have also taken into account the potential implications of the current COVID-19 pandemic and have determined that given there will continue to be demand for services provided by the Group and the mixed customer base of the Group, the going concern basis remains appropriate.

Future outlook
The Group will continue to invest in its core infrastructure markets with a continued focus on operating these businesses more efficiently in order to deliver sustained growth in earnings. Net capital investment is anticipated to reduce in line with the phasing of expenditure on the Group's major capital programmes.

On behalf of the Board

Mike Parton
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

22 February 2022

Consolidated interim income statement

		Six months ended 31 December 2021 Unaudited			Six months ended 31 December 2020 Unaudited			Year ended 30 June 2021		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Revenue	7	303.9	-	303.9	313.8	4.9	318.7	618.4	4.9	623.3
Cost of sales		(90.3)	-	(90.3)	(103.2)	(2.0)	(105.2)	(206.8)	(2.0)	(208.8)
Gross profit		213.6	-	**213.6**	210.6	2.9	**213.5**	411.6	2.9	**414.5**
Depreciation	16	(73.4)	-	(73.4)	(87.2)	(0.6)	(87.8)	(167.9)	(0.6)	(168.5)
Amortisation	15	(4.6)	-	(4.6)	(5.0)	-	(5.0)	(9.7)	-	(9.7)
Exceptional operating expenses	8	(13.0)	-	(13.0)	(8.0)	-	(8.0)	(25.6)	-	(25.6)
Exceptional impairment of assets	8	(10.0)	-	(10.0)	-	-	-	-	-	-
Other operating expenses		(45.6)	-	(45.6)	(44.4)	(0.4)	(44.8)	(79.8)	(0.4)	(80.2)
Total operating expenses		(146.6)	-	(146.6)	(144.6)	(1.0)	(145.6)	(283.0)	(1.0)	(284.0)
Other income		3.8	-	3.8	5.8	-	5.8	9.3	-	9.3
Operating profit		70.8	-	**70.8**	71.8	1.9	**73.7**	137.9	1.9	**139.8**

The remainder of the consolidated interim income statement continues on the next page.

		Six months ended 31 December 2021 Unaudited			Six months ended 31 December 2020 Unaudited			Year ended 30 June 2021		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Operating profit		70.8	-	**70.8**	71.8	1.9	**73.7**	137.9	1.9	**139.8**
Finance income	9	0.9	-	0.9	0.5	-	0.5	1.1	-	1.1
Finance costs	10	(134.3)	-	(134.3)	(134.4)	(0.1)	(134.5)	(268.4)	(0.1)	(268.5)
Exceptional gain on disposal of discontinued operations	13	-	-	-	-	1,035.2	1,035.2	-	1,038.3	1,038.3
Other gains and losses	11	(59.8)	-	(59.8)	(54.4)	-	(54.4)	(67.4)	-	(67.4)
Exceptional other gains and losses	11	-	-	-	(7.6)	-	(7.6)	(7.6)	-	(7.6)
(Loss) / profit before tax		(122.4)	-	**(122.4)**	(124.1)	1,037.0	**912.9**	(204.4)	1,040.1	**835.7**
Tax	12	16.5	-	16.5	(39.5)	(0.4)	(39.9)	80.4	(5.7)	74.7
(Loss) / profit for the period		(105.9)	-	**(105.9)**	(163.6)	1,036.6	**873.0**	(124.0)	1,034.4	**910.4**
Attributable to:										
Owners of the company				(106.0)			872.9			910.1
Non-controlling interest				0.1			0.1			0.3
				(105.9)			**873.0**			**910.4**

Further comments on consolidated income statement line items are presented in the notes to the financial statements on pages 16 to 36.

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
(Loss) / profit for the period		**(105.9)**	**873.0**	**910.4**
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain / (loss) on defined benefit pension schemes	28	11.7	(3.0)	26.4
Movement on deferred tax relating to pension schemes		(2.9)	0.6	(6.6)
		8.8	**(2.4)**	**19.8**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		(0.1)	0.1	0.1
		8.7	**(2.3)**	**19.9**
Total comprehensive (loss) / income		**(97.2)**	**870.7**	**930.3**
Attributable to:				
Owners of the Company		(97.3)	870.6	930.0
Non-controlling interest		0.1	0.1	0.3
Total comprehensive (loss) / income		**(97.2)**	**870.7**	**930.3**

All items of other comprehensive income relate to continuing operations.

Consolidated interim statement of financial position

	Note	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Non-current assets				
Goodwill	14	1,458.0	1,458.0	1,458.0
Other intangible assets	15	37.2	42.7	40.3
Property, plant and equipment	16	1,349.4	1,421.5	1,392.0
Deferred tax	18	220.2	129.0	215.8
Retirement benefits	28	61.1	18.6	47.1
Interest in associates and joint ventures		0.1	0.1	0.1
Derivative financial instruments	22	15.1	-	7.2
		3,141.1	**3,069.9**	**3,160.5**
Current assets				
Trade and other receivables	17	233.4	216.8	226.3
Contract assets	17	17.4	39.7	28.9
Cash and cash equivalents	19	46.7	203.8	227.2
		297.5	**460.3**	**482.4**
Total assets		**3,438.6**	**3,530.2**	**3,642.9**
Current liabilities				
Borrowings	21	(88.4)	(59.5)	(78.0)
Trade and other payables	20	(1,449.1)	(1,576.6)	(1,624.3)
Contract liabilities	20	(103.8)	(103.1)	(92.4)
Provisions	23	(4.4)	(2.8)	(3.2)
		(1,645.7)	**(1,742.0)**	**(1,797.9)**
Net current liabilities		**(1,348.2)**	**(1,281.7)**	**(1,315.5)**
Non-current liabilities				
Borrowings	21	(1,502.4)	(1,580.9)	(1,547.8)
Derivative financial instruments	22	(400.8)	(327.6)	(333.1)
Contract liabilities	20	(338.8)	(319.8)	(324.4)
Provisions	23	(84.9)	(80.8)	(85.6)
		(2,326.9)	**(2,309.1)**	**(2,290.9)**
Total liabilities		**(3,972.6)**	**(4,051.1)**	**(4,088.8)**
Net liabilities		**(534.0)**	**(520.9)**	**(445.9)**

	Note	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(733.9)	(696.1)	(636.7)
Capital contribution reserve		387.4	362.8	378.3
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(0.6)	(0.5)	(0.5)
Equity attributable to owners of the Company		**(535.5)**	**(522.2)**	**(447.3)**
Non-controlling interest		1.5	1.3	1.4
Total equity		**(534.0)**	**(520.9)**	**(445.9)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2022 and were signed on its behalf by:

Mike Parton - Director

Consolidated statement of changes in equity

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2021	**0.1**	**378.3**	**(188.5)**	**(636.7)**	**(0.5)**	**(447.3)**	**1.4**	**(445.9)**
(Loss) / profit for the period	-	-	-	(106.0)	-	(106.0)	0.1	(105.9)
Other comprehensive income / (expense)	-	-	-	8.8	(0.1)	8.7	-	8.7
Total comprehensive income	-	-	-	(97.2)	(0.1)	(97.3)	0.1	(97.2)
Capital contribution	-	9.1	-	-	-	9.1	-	9.1
Balance at 31 December 2021	**0.1**	**387.4**	**(188.5)**	**(733.9)**	**(0.6)**	**(535.5)**	**1.5**	**(534.0)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2020	**0.1**	**362.8**	**(188.5)**	**(1,566.6)**	**(0.6)**	**(1,392.8)**	**1.2**	**(1,391.6)**
Profit for the period	-	-	-	872.9	-	872.9	0.1	873.0
Other comprehensive (expense) / income	-	-	-	(2.4)	0.1	(2.3)	-	(2.3)
Total comprehensive income	-	-	-	870.5	0.1	870.6	0.1	870.7
Balance at 31 December 2020	**0.1**	**362.8**	**(188.5)**	**(696.1)**	**(0.5)**	**(522.2)**	**1.3**	**(520.9)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2020	**0.1**	**362.8**	**(188.5)**	**(1,566.6)**	**(0.6)**	**(1,392.8)**	**1.2**	**(1,391.6)**
Profit for the year	-	-	-	910.1	-	910.1	0.3	910.4
Other comprehensive income	-	-	-	19.8	0.1	19.9	-	19.9
Total comprehensive income	-	-	-	929.9	0.1	930.0	0.3	930.3
Dividends paid	-	-	-	-	-	-	(0.1)	(0.1)
Capital contribution	-	15.5	-	-	-	15.5	-	15.5
Balance at 30 June 2021	**0.1**	**378.3**	**(188.5)**	**(636.7)**	**(0.5)**	**(447.3)**	**1.4**	**(445.9)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Net cash inflow from operating activities	24	**177.5**	**211.6**	**411.2**
Investing activities				
Interest received		0.4	0.4	-
Purchase of tangible assets		(39.8)	(28.3)	(85.5)
Purchase of intangible assets		(0.8)	(1.5)	(0.6)
Disposal of subsidiaries net of cash disposed and deferred income generated in relation to future services		-	1,823.0	1,820.4
		(40.2)	**1,793.6**	**1,734.3**
Financing activities				
Repayment of external borrowings		(26.1)	(1,247.6)	(1,260.9)
Repayment to parent undertakings		(251.1)	(21.1)	(42.2)
Movement in borrowings		(277.2)	(1,268.7)	(1,303.1)
Payment of lease liabilities		(13.7)	(9.5)	(48.1)
Interest paid		(25.7)	(32.4)	(61.7)
Debt issue costs and facility arrangement fees		(1.2)	-	-
Break costs		-	(55.9)	(55.9)
Cash settlement of principal accretion on inflation-linked swaps		-	-	(14.5)
Cash outflow on exit of swap agreements		-	(513.0)	(513.0)
		(317.8)	**(1,879.5)**	**(1,996.3)**
(Decrease) / increase in cash and cash equivalents	19	**(180.5)**	**125.7**	**149.2**

Notes to the financial statements

1 General information

This condensed consolidated interim financial information does not comprise statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2021 were approved by the Board of Directors on 21 September 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2021 can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

2 Directors' responsibilities

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

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

3 Basis of preparation

These financial statements for the six months ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the United Kingdom. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom.

The accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2021.

4 Significant judgements and key estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and costs. Actual results may differ from these estimates.

In preparing these financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the statutory accounts for the year ended 30 June 2021.

5 Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include purchase price risk, credit risk, liquidity risk, financing risk, interest rate risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects. A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions.

Purchase price risk

Energy is a major component of the Group's cost base. 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 typically managed by forward purchasing the majority of power requirements in excess of 12 months in advance. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.

Credit risk

The Group is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectable debts. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Liquidity risk

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. As at 31 December 2021 the Group had £46.7m cash and short-term deposits available to cover short term cash flow timing differences if required. In addition, the Group has a £100.0m working capital facility available for general business purposes and an additional £150m liquidity facility to cover senior interest and accretion payments if required, both of which remain undrawn. Details of the debt maturity profile are provided in note 21.

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. The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place; our BBB+/BBB ratings (from Standard & Poors/Fitch) which reflect our strong ability to raise cash and repay debt from our cash flows over a reasonable period of time; maintaining an active dialogue with lenders and investors; maintaining debt with a variety of medium and long term maturities to ensure no material concentration of refinancing risk; and aiming to complete any refinancing well in advance of the required maturity date.

Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the competitiveness of terms. In order to mitigate this, the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with its lenders and credit ratings agencies.

Interest rate risk

The Group maintains a hedging policy to manage interest rate risk, ensuring the certainty of future interest cash flows and compliance with its debt covenants. It currently has hedging in place, split between interest rate swaps and inflation swaps. Interest rate swaps convert interest costs from floating to fixed rate whilst inflation swaps convert fixed or floating rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's borrowings are provided in note 21.

Foreign exchange risk

The Group operates predominantly from UK sites and in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the overwhelming majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. From time to time, forward foreign exchange contracts are used to fix the exchange rate for anticipated net exposures.

6 Going concern

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

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

7 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects and the sale of communications equipment.

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

Six months to 31 December 2021 - Unaudited	Media Distribution £m	Smart Utilities Networks £m	Total – continuing operations £m	Discontinued operations £m	Total £m
Rendering of services	247.2	41.5	**288.7**	-	**288.7**
Engineering projects	1.8	-	**1.8**	-	**1.8**
Sale of goods	-	13.4	**13.4**	-	**13.4**
Total revenue	**249.0**	**54.9**	**303.9**	**-**	**303.9**

Six months to 31 December 2020 - Unaudited	Media Distribution £m	Smart Utilities Networks £m	Total – continuing operations £m	Discontinued operations £m	Total £m
Rendering of services	260.5	34.9	**295.4**	4.4	**299.8**
Engineering projects	8.5	-	**8.5**	0.5	**9.0**
Sale of goods	-	9.9	**9.9**	-	**9.9**
Total revenue	**269.0**	**44.8**	**313.8**	**4.9**	**318.7**

Year ended 30 June 2021	Media Distribution £m	Smart Utilities Networks £m	Total – continuing operations £m	Discontinued operations £m	Total £m
Rendering of services	508.3	76.0	**584.3**	4.4	**588.7**
Engineering projects	11.2	-	**11.2**	0.5	**11.7**
Sale of goods	-	22.9	**22.9**	-	**22.9**
Total revenue	**519.5**	**98.9**	**618.4**	**4.9**	**623.3**

Reporting by markets
During the year the Group continued to focus its Commercial resources across the Media Distribution and Smart Utilities Networks markets. In addition, the Group has presented separate results for its operational resources as Corporate, Operations and Technology and Transformation. Results for previous periods have been restated to align to these business areas.

	Commercial		Other				
Six months to 31 December 2021 (Unaudited)	**Media Distribution**	**Smart Utilities Networks**	**Operations**	**Technology and Transformation**	**Corporate**	**Discontinued operations**	**Consolidated**
	£m	£m	£m	£m	£m	£m	**£m**
Revenue	**249.0**	**54.9**	**-**	**-**	**-**	**-**	**303.9**
Segment result* (EBITDA)	**179.1**	**25.7**	**(12.2)**	**(14.7)**	**(9.9)**	**-**	**168.0**
Depreciation and amortisation							(78.0)
Exceptional operating expenses							(13.0)
Exceptional impairment of assets							(10.0)
Other income							3.8
Operating profit							**70.8**
Finance income							0.9
Finance costs							(134.3)
Other gains and losses							(59.8)
Loss before tax							**(122.4)**

	Commercial		Other				
Six months to 31 December 2020 (Unaudited)	**Media Distribution**	**Smart Utilities Networks**	**Operations**	**Technology and Transformation**	**Corporate**	**Discontinued operations**	**Consolidated**
	£m	£m	£m	£m	£m	£m	**£m**
Revenue	**269.0**	**44.8**	**-**	**-**	**-**	**4.9**	**318.7**
Segment result* (EBITDA) (Restated)	**178.7**	**21.2**	**(11.7)**	**(12.2)**	**(9.8)**	**2.5**	**168.7**
Depreciation and amortisation							(92.8)
Exceptional operating expenses							(8.0)
Exceptional impairment of assets							-
Other income							5.8
Operating profit from discontinued operations							(1.9)
Operating profit from continuing operations							**71.8**
Finance income							0.5
Finance costs							(134.4)
Other gains and losses							(62.0)
Loss before tax from continuing operations							**(124.1)**

	Commercial		Other				
Year ended 30 June 2021	**Media Distribution**	**Smart Utilities Networks**	**Operations**	**Technology and Transformation**	**Corporate**	**Discontinued operations**	**Consolidated**
	£m	£m	£m	£m	£m	£m	**£m**
Revenue	**519.5**	**98.9**	**-**	**-**	**-**	**4.9**	**623.3**
Segment result* (EBITDA) (Restated)	**351.4**	**40.2**	**(21.4)**	**(24.4)**	**(14.0)**	**2.5**	**334.3**
Depreciation and amortisation							(178.2)
Exceptional operating expenses							(25.6)
Exceptional impairment of assets							-
Other income							9.3
Operating profit from discontinued operations							(1.9)
Operating profit from continuing operations							**137.9**
Finance income							1.1
Finance costs							(268.4)
Other gains and losses							(75.0)
Loss before tax from continuing operations							**(204.4)**

*Segment result is defined as total operating profit before exceptional operating expenses and excluding depreciation, amortisation, profit or loss on disposal of non-current assets, impairment and share of result from joint venture and associates (i.e. EBITDA).

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

	Six months to 31 December 2021	**Six months to 31 December 2020**	**Year ended 30 June 2021**
	Unaudited	**Unaudited**	
	£m	**£m**	**£m**
Operating profit from continuing operations	**70.8**	**71.8**	**137.9**
Depreciation	*73.4*	*87.8*	*168.5*
Amortisation	*4.6*	*5.0*	*9.7*
Exceptional operating expenses	*13.0*	*8.0*	*25.6*
Exceptional impairment of assets	*10.0*	*-*	*-*
Profit from discontinued operations	*-*	*1.9*	*1.9*
Other income	*(3.8)*	*(5.8)*	*(9.3)*
EBITDA	**168.0**	**168.7**	**334.3**

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

	Media Distribution	Smart Utilities Networks	Other	**Consolidated**
	£m	£m	£m	**£m**
Capital expenditure:				
For the six months ended 31 December 2021 (Unaudited)	10.3	8.2	22.1	**40.6**
For the six months ended 31 December 2020 (Unaudited)	10.5	9.0	10.3	**29.8**
For the year ended 30 June 2021	16.8	18.5	50.8	**86.1**

Geographical information

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.

	Six months to 31 December 2021 Unaudited £m	**Six months to 31 December 2020 Unaudited £m**	**Year ended 30 June 2021 £m**
UK	301.1	314.7	615.7
Rest of European Economic Area (EEA)	2.7	3.2	6.4
Rest of World	0.1	0.8	1.2
Total revenue	**303.9**	**318.7**	**623.3**

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

	31 December 2021 Unaudited £m	**31 December 2020 Unaudited £m**	**30 June 2021 £m**
UK	2,842.6	2,920.3	2,888.8
Rest of European Economic Area (EEA)	1.9	1.9	1.5
Rest of World	0.1	0.1	-
Total non-current assets	**2,844.6**	**2,922.3**	**2,890.3**

8 Exceptional items

Profit/(loss) on ordinary activities before taxation is stated after (charging) / crediting:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Operating expenses			
Reorganisation and severance	(3.3)	(6.2)	(21.8)
Corporate finance activities	(4.2)	(1.8)	(3.8)
Restoration costs	(5.5)	-	-
	(13.0)	(8.0)	(25.6)
Exceptional impairment of assets	(10.0)	-	-
	(10.0)	-	-
Other exceptional items			
Gain on disposal of discontinued operations	-	1,035.2	**1,038.3**
	(23.0)	**1,027.2**	**1,012.7**

Reorganisation and severance expenses include costs relating to changes in the organisational design and restructuring of the business and delivery of the Group's transformation programme. This is a one-off multi-year transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings.

Corporate finance activity relates to costs and accruals associated with one off projects, and corporate transactions including refinancing activities.

The restoration costs relate to costs incurred to reinstate services present at the Bilsdale transmitter site following a fire which broke out on 10 August 2021. Engineers have been working on a four-stage recovery plan to reinstate services present on the mast. Phases 1 & 2 included restoring services with works completed for the improvement of TV coverage from our Eston Nab site and an additional 15 metre mast has been installed at a site in Arncliffe Wood in order to extend coverage from this site. Phase 3 of the recovery plan involved the erection of a temporary mast at the Bilsdale site. To date around 98% of households have been returned to coverage for TV and commercial radio has benefited from improved coverage to what it was before the fire. Phase 4 of the recovery plan to complete the enduring solution is ongoing. Management are still assessing the financial impact of the incident and the assets damaged by the fire, and have engaged with the Group's insurers. Costs recognised are those which have been incurred to date and can be reliably measured. See note 25 for further details of contingent liabilities and assets in relation to the Bilsdale fire.

The exceptional impairment of assets relates to the impairment of assets damaged by the Bilsdale transmitter site fire discussed above.

The gain on disposal of discontinued operations relates to the sale of the Group's Telecoms infrastructure and related assets on 8 July 2020 as disclosed in note 13.

The exceptional impairment of assets included within exceptional operating expenses is not deductible for the purpose of taxation. The remaining amounts included within exceptional operating expenses above are deductible for the purpose of taxation.

The gain on disposal of the discontinued operation was not subject to UK Corporation tax as it was exempt under the Substantial Shareholding Exemption.

9 Finance income

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Other loans and interest receivable	0.9	0.5	1.1
Total finance income	**0.9**	**0.5**	**1.1**

10 Finance costs

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Interest on bank overdrafts and loans	10.3	9.5	19.9
Other loan interest	15.2	18.1	33.5
Bank and other loan interest	**25.5**	**27.6**	**53.4**
Amortisation of debt issue costs	0.3	0.8	2.4
Interest on lease obligations	3.6	3.6	7.4
Interest payable to other group entities	93.8	89.7	180.2
Other interest	9.2	10.2	19.6
Total interest payable	**106.9**	**131.9**	**263.0**
Unwinding of discount on provisions (see note 23)	1.9	2.6	5.5
Total finance costs	**134.3**	**134.5**	**268.5**

11 Other gains and losses

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Foreign exchange loss on financing	-	(0.7)	(0.8)
Fair value (loss) / gain on derivative financial instruments (see note 22)	(59.8)	2.2	(10.7)
Break costs	-	(55.9)	(55.9)
Total other gains and losses	**(59.8)**	**(54.4)**	**(67.4)**
Exceptional loss on close out of interest rate swaps	-	(3.7)	(3.7)
Exceptional loss on close out of inflation linked swaps	-	(3.9)	(3.9)
Exceptional other gains and losses	**-**	**(7.6)**	**(7.6)**
Total other losses	**(59.8)**	**(62.0)**	**(75.0)**

12 Tax

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
UK Corporation tax:			
- Current year	(9.2)	0.4	(25.6)
Total current tax (credit) / charge	(9.2)	0.4	(25.6)
Deferred tax (see note 18):			
- Origination and reversal of temporary differences	(7.3)	(11.8)	(11.4)
- Change in unrecognised deferred tax assets	-	51.3	(1.9)
- Prior period adjustment	-	-	6.8
- Impact of rate change	-	-	(42.6)
Total deferred tax	(16.5)	39.5	(74.7)
Total tax (credit) / charge for the period	**(16.5)**	**39.9**	**(74.7)**
Income tax (credit) / expense is attributable to:			
Loss from continuing operations	**(16.5)**	**39.5**	**(80.4)**
Profit from discontinued operations	**-**	**0.4**	**5.7**
	(16.5)	**39.9**	**(74.7)**

The tax charge on ordinary activities is recognised based on management's estimate of the weighted average annual total corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2022 on continuing operations is 13.5% (the estimated tax rate used at 31 December 2020 was 18.6% (excluding the profit on the gain of the discontinued operations).

The effective tax rate is below the statutory tax rate of 19% on the loss generated in the period principally as a result of the allocation of disallowable interest to the entities within this group. The £9.1m capital contribution (shown in the consolidated statement of changes in equity) reflects a payment to compensate this group for that allocation by parent companies; the combined tax and capital contribution credit would give an effective rate of 20.9%.

The profit on the disposal of the discontinued operation in the year ended 30 June 2021 is not subject to UK Corporation tax as it is exempt under the Substantial Shareholding Exemption.

The main rate of UK corporation tax was 19.0% during the year. On 24 May 2021, Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax to 25% from 1 April 2023. UK deferred tax has been valued at either 19.0% or 25.0% in the periods ended 31 December 2021 and 30 June 2021 (31 December 2020: 19.0%) depending on the period in which it is forecast to unwind.

The current tax credit in each period represents payments due for group relief from other Companies in the Group.

Tax in Consolidated Statement of Comprehensive Income

There is a tax charge of £2.9m (June 2021: charge of £6.6m; December 2020: credit of £0.6m) in respect of the actuarial gain of £11.7m (June 2021: gain of £26.4m; December 2020: loss of £3.0m) in the Consolidated Statement of Comprehensive Income.

13 Discontinued operations

On 8 July 2020, the Group sold its Telecoms infrastructure and related assets including its 100% interest in Arqiva Services Ltd and its subsidiaries. As disclosed in note 12 the profit on the disposal of the discontinued operation is not subject to UK Corporation tax.

The post-tax gain on disposal of discontinued operations was determined as follows:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Total cash consideration received	-	1,945.3	1,942.7
Less cash disposed of	-	0.1	0.1
Less deferred income generated in relation to future services	-	122.2	122.2
Net cash inflow on disposal of discontinued operation	**-**	**1,823.0**	**1,820.4**
Net assets disposed (other than cash)			
Goodwill	-	521.0	521.0
Intangible assets	-	0.9	0.9
Property, plant and equipment	-	601.5	601.5
Trade and other receivables	-	17.7	17.7
Contract assets	-	20.2	20.2
Deferred tax	-	28.5	22.8
Lease liabilities	-	(233.5)	(233.5)
Trade and other payables	-	(9.6)	(9.6)
Contract liabilities	-	(129.6)	(129.6)
Provisions	-	(29.3)	(29.3)
	-	**787.8**	**782.1**
Pre-tax gain on disposal of discontinued operation	-	1,035.2	1,038.3
Gain on disposal of discontinued operation	**-**	**1,035.2**	**1,038.3**

Result of discontinued operations

The results of the discontinued operations are disclosed in the Income Statement.

14 Goodwill

	£m
Cost:	
At 1 July 2021	1,458.4
At 31 December 2021	**1,458.4**
Accumulated impairment losses:	
At 1 July 2021	0.4
At 31 December 2021	**0.4**
Carrying amount:	
At 31 December 2021 (Unaudited)	**1,458.0**
At 31 December 2020 (Unaudited)	1,458.0
At 30 June 2021	1,458.0

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2021	13.7	22.5	15.4	104.7	156.3
Additions	-	0.5	-	0.3	0.8
Transfers from AUC (note 16)	-	-	-	0.7	0.7
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2021	**13.7**	**23.0**	**15.4**	**105.6**	**157.7**
Accumulated amortisation					
At 1 July 2021	8.2	11.2	15.4	81.2	116.0
Charge for the period	0.5	0.7	-	3.4	4.6
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2021	**8.7**	**11.9**	**15.4**	**84.5**	**120.5**
Carrying amount					
At 31 December 2021 (Unaudited)	**5.0**	**11.1**	**-**	**21.1**	**37.2**
At 31 December 2020 (Unaudited)	5.8	11.5	-	25.4	42.7
At 30 June 2021	5.5	11.3	-	23.5	40.3

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 2021	326.5	149.7	1,821.8	128.8	2,426.8
Additions	0.4	0.9	0.4	41.3	43.0
Completion of AUC	1.3	-	18.6	(19.9)	-
Transfers to intangibles (Note 15)	-	-	-	(0.7)	(0.7)
Disposals	-	(1.7)	(14.2)	-	(15.9)
At 31 December 2021	**328.2**	**148.9**	**1,826.6**	**149.5**	**2,453.2**
Accumulated depreciation					
At 1 July 2021	58.9	57.4	918.5	-	1,034.8
Charge for the period	3.3	5.4	64.7	-	73.4
Impairment	-	-	10.0	-	10.0
Disposals	-	(0.2)	(14.2)	-	(14.4)
At 31 December 2021	**62.2**	**62.6**	**979.0**	**-**	**1,103.8**
Carrying amount					
At 31 December 2021 (Unaudited)	**266.0**	**86.3**	**847.6**	**149.5**	**1,349.4**
At 31 December 2020 (Unaudited)	264.8	99.4	940.7	116.6	1,421.5
At 30 June 2021	267.6	92.3	903.3	128.8	1,392.0

17 Trade and other receivables

	31 December 2021 Unaudited	31 December 2020 Unaudited	30 June 2021
	£m	£m	£m
Trade receivables	62.9	56.1	58.2
Amounts receivable from other Group entities	141.7	130.7	132.1
Other receivables	4.1	4.2	1.7
Prepayments	24.7	25.8	25.0
Taxation and social security	-	-	9.3
	233.4	**216.8**	**226.3**
Contract assets	**17.4**	**39.7**	**28.9**

Amounts receivable from other Group entities are unsecured and repayable on demand.

18 Deferred tax

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Deferred tax asset	**235.4**	**131.4**	**227.5**
Deferred tax liability	**15.2**	**2.4**	**11.7**

The deferred tax asset relates predominately to fixed asset temporary differences, derivative financial instruments and tax losses. The deferred tax liability relates to retirement benefits. The Group continues to recognise the net deferred tax asset based on long-term forecast taxable profits that will arise. Forecasts used are consistent with those used for goodwill impairment testing. No tax attributes have a time expiry. The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

19 Cash and cash equivalents

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Cash at bank	20.7	163.8	9.1
Short term deposits	26.0	40.0	218.1
Total cash and cash equivalents	**46.7**	**203.8**	**227.2**

20 Trade and other payables

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Current			
Trade payables	43.4	26.2	40.9
Amounts payable to other Group entities	1,343.5	1,477.2	1,525.4
Taxation and social security	11.7	12.5	-
Other payables	2.6	4.6	3.7
Accruals	47.9	56.1	54.3
Total current trade and other payables	**1,449.1**	**1,576.6**	**1,624.3**
Contract liabilities	**103.8**	**103.1**	**92.4**
Non-Current			
Contract liabilities	**338.8**	**319.8**	**324.4**

Amounts payable to other Group entities are unsecured, interest free, and are repayable on demand.

21 Borrowings

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Within current liabilities:			
Lease liabilities	20.4	20.7	21.0
Senior bonds and notes (amortising)	67.6	39.5	56.7
Accrued interest on junior and senior financing[1]	0.4	(0.7)	0.3
Borrowings due within one year	**88.4**	**59.5**	**78.0**
Within non-current liabilities:			
Bank loans	**261.6**	**261.0**	**261.5**
- *Senior debt*	*262.0*	*262.0*	262.0
- *Issue costs*	*(0.4)*	*(1.0)*	(0.5)
Other loans	**666.4**	**732.2**	**703.2**
- *Senior bonds and notes*	*670.3*	*738.0*	707.4
- *Issue costs*	*(3.9)*	*(5.8)*	(4.2)
Amounts payable to other group entities	**496.8**	**496.8**	**496.8**
Lease liabilities	**77.6**	**90.9**	**86.3**
Borrowings due after more than one year	**1,502.4**	**1,580.9**	**1,547.8**

All borrowings are denominated in Sterling.

The majority of the balances within amounts payable to other Group entities were formalised under a single subordinated loan agreement with the direct parent company which has a long-term maturity date of 2033. These loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower.

The fair value of the senior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £539.3m (31 December 2020: £586.0m; 30 June 2021: £561.7m) whilst their carrying amount was £457.3m (31 December 2020: £484.0m; 30 June 2021: £470.4m).

The Directors consider the fair value of all other borrowings to be a close approximate to their carrying value.

The weighted average interest rate of borrowings is 4.95% (31 December 2020: 4.76%; 30 June 2021: 4.70%).
An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Borrowings fall due within:			
One year	88.4	60.2	78.0
One to five years	528.4	534.3	539.1
More than five years	977.9	1,053.4	1,013.4
Total	**1,594.7**	**1,647.9**	**1,630.5**

Bank loans entirely comprise **senior debt**. **Other loans** are comprised from the Group's **senior bonds & notes**.

Senior debt includes an institutional term loan with £90.0m outstanding (31 December 2020: £90.0m; 30 June 2021: £90.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £172.0m

[1] The balance at 31 December 2021 is shown net of £nil (31 December 2020: £1.1m; 30 June 2021 £nil) interest receivable under swap arrangements associated with the underlying financing.

outstanding (31 December 2020: £172.0m; 30 June 2021: £172.0m) with an expected maturity date of June 2024. On 9 July 2021, the Group refinanced its bank facilities and now has access to a £100.0m Working Capital Facility maturing in 2024 and a 25 year £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA of between 120 and 130bps. The facilities had £nil drawings as at 31 December 2021 (31 December 2020: £nil; 30 June 2021: £nil).

For further information on the Group's liquidity risk management, see note 5.

Senior bonds and notes include a combination of publicly listed bonds and US private placement notes.

As at 31 December 2021, the Group has £457.3m sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34%. These bonds have scheduled amortisation between June 2022 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. The Group has £280.6m (31 December 2020: £293.4m; 30 June 2021: £293.4m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between June 2022 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

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.

22 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 31 December 2021 was 5.05% (31 December 2020: 5.04%; 30 June 2021: 4.7%). The weighted average period of funding was 6.7 years (31 December 2020: 7.4 years; 30 June 2021: 5.4 years).

Within the Group's financial liabilities were borrowings of £1,590.7 excluding issue costs and accrued interest (31 December 2020: £1,647.9m; 30 June 2021: £1,616.0m) (see note 21), which includes £542.6m (31 December 2020: £555.4m; 30 June 2021: £555.4m) with floating interest and the remainder with fixed interest (prior to hedging arrangements).

Derivative financial instruments
The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the period end, the Group held interest rate swaps with notional amounts of £436.2m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 0.2%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 21).

The Group has also entered into index linked swaps (notional amount of £681.8m) where it receives floating and pays fixed interest obligations to an average rate of 2.908% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in June. All of these instruments have a maturity date of April 2027. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £614.7m of fixed to floating rate interest rate swaps to partially offset the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The fair value of the interest rate and inflation swaps at 31 December 2021 is a liability of £346.1m (31 December 2020: £321.9m; 30 June 2021: £326.3m). This fair value is calculated using a risk-adjusted discount rate.

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 and inflation rate swaps (as disclosed below) 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.

The following table details the fair value of financial instruments recognised on the statement of financial position:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Within non-current assets			
Interest rate swaps	15.1	-	7.2
Within non-current liabilities			
Interest rate swaps	-	(1.0)	-
Inflation-linked interest rate swaps (including principal accretion of £39.6m; 31 December 2020: £5.7m; 30 June 2021: £nil)	(400.8)	(326.6)	(333.1)
	(400.8)	(327.6)	(333.1)
Total	**(385.7)**	**(327.6)**	**(325.9)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	(55.9)	6.0	(1.0)
- Attributable to changes in perceived credit risk	(3.9)	(3.8)	(9.7)
Total (loss) / profit recognised in the income statement	**(59.8)**	**2.2**	**(10.7)**
Cash settlement of principal accretion on inflation-linked swaps	-	-	14.5
Cash outflow on redemption of swaps	-	396.5	396.5
Exceptional loss recognised on close out of inflation linked swaps	-	(3.9)	(3.9)
Exceptional loss recognised on close out of interest rate swaps	-	(3.7)	(3.7)
Total change in fair value	**(59.8)**	**391.1**	**392.7**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued.

23 Provisions

	Decommissioning £m	Restructuring £m	Remediation and maintenance £m	Onerous Contracts £m	Other £m	Total £m
At 1 July 2021	71.4	2.0	5.1	3.7	6.6	88.8
Unwind of discount (note 10)	1.8	-	0.1	-	-	1.9
Released to income statement	-	-	(0.5)	(0.8)	(1.6)	(2.9)
Charged to income statement	0.5	-	-	-	1.0	1.5
At 31 December 2021 (Unaudited)	**73.7**	**2.0**	**4.7**	**2.9**	**6.0**	**89.3**
At 31 December 2020 (Unaudited)	71.9	1.4	5.1	-	5.2	83.6
At 30 June 2021	71.4	2.0	5.1	3.7	6.6	88.8

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Analysed as:			
Current	4.4	2.8	3.2
Non-current	84.9	80.8	85.6
	89.3	**83.6**	**88.8**

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision is in relation to assets of which the remaining useful economic life ranges up to 20 years, with the majority of the provision relating to TV and Radio products for which there is no material decommissioning expected before 2040.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group.

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 other items which are expected to be utilised over the next one to ten years.

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Operating profit	70.8	73.7	139.8
Adjustments:			
Depreciation of property, plant and equipment	73.4	87.8	168.5
Amortisation of intangible assets	4.6	5.0	9.7
Impairment	10.0	-	-
Loss on disposal of property, plant and equipment	-	-	3.1
Other income	(3.8)	(5.8)	(9.3)
Operating cash flows before movements in working capital	**155.0**	**160.7**	**311.8**
Decrease / (increase) in receivables	9.5	4.9	(21.1)
Increase / (decrease) in payables	14.4	46.3	(47.7)
(Decrease) / increase in provisions	(1.4)	0.2	5.4
Curtailments relating to the defined benefit Pension Plan	-	-	1.1
Cash generated from operating activities	**177.5**	**212.1**	**387.1**
Taxes paid	-	(0.5)	24.1
Net cash inflow from operating activities	**177.5**	**211.6**	**411.2**

Analysis of changes in financial liabilities:

	At 1 July 2021 £m	Changes in financing cash flows (Cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 31 December 2021 £m
Current borrowings (Note 21)	78.0	(39.8)	-	49.8	88.0
Non-current borrowings (Note 21)	1,547.8	-	-	(45.4)	1,502.4
Accrued interest on borrowings (Note 21)	0.3	(25.7)	-	25.8	0.4
Derivative financial instrument Liabilities (Note 22)	325.9	(8.0)	67.8	-	385.7
Total	**1,952.0**	**(73.5)**	**67.8**	**30.2**	**1,976.5**

25 Financial commitments and contingent liabilities

Financing commitments
Under the terms of the Groups 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:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Within one year	13.8	16.5	23.1
Within two to five years	-	-	-
Total capital commitments	**13.8**	**16.5**	**23.1**

There are no capital commitments payable in more than five years.

Contingent assets and liabilities

Bilsdale Tower Fire
On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Arqiva's engineers have worked on a four-stage recovery plan to reinstate services delivered via this site. Through efforts utilising existing and temporary infrastructure, to date around 98% of households have been returned to a coverage area for TV and commercial radio benefited from improved coverage to what it was before the fire. Arqiva continues to engage with local stakeholders, including viewers, MPs, local government and the media through its Bilsdale Mast: Project Restore programme. The cause of the fire remains under investigation and management are still assessing the financial impact of the incident and continue to engage with the Group's insurers.

These financial statements include provisions for impairment of assets damaged or destroyed in the incident of £10m and costs incurred in the period for restoration of services of £5.5m. Management continues to work with specialist advisors to conclude on the cause of the fire and in turn to assess the potential financial penalties and service credits that may be due to third parties. At the current time it is not possible to determine the expected outcome or quantification of such amounts and therefore the Director's consider this represents a contingent liability. The group holds comprehensive insurance coverage and management continues to engage with the group's insurers to assess the value of losses and restoration costs, at the current time such insurance claims are considered contingent assets and are also not therefore recognised in the statement of financial position in accordance with accounting standards.

26 Leases

Leases as lessee (IFRS 16)

The group holds lease arrangements primarily relating to land and buildings, circuit contracts and vehicles.

Right of use assets
Right-of-use assets related to leased properties and land (other than investment property) are presented as property, plant and equipment. Plant and equipment leases relate to the use of fibre, other fixed telecommunications lines, and IT equipment.

	Leasehold buildings £m	Plant and equipment £m	Total £m
Balance at 1 July 2021	64.6	35.3	99.9
Depreciation charge for the year	(4.6)	(6.7)	(11.3)
Additions to right of use assets	2.1	0.4	2.5
Derecognition of right of use assets	(1.7)	-	(1.7)
Balance at 31 December 2021	**60.4**	**29.0**	**89.4**

Amounts recognised in the Income Statement

Leases under IFRS 16	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Interest on lease liabilities	3.6	3.6	7.4
Expenses relating to variable lease payments not included in the measurement of lease liabilities	1.8	5.1	5.7

Amounts recognised in the cashflow statement

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Total cash outflow for leases	13.7	13.1	48.1

27 Related party transactions

Balances and transactions between Group entities, 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 28.

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. 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		
	Six months to 31 December 2021 £m	Six months to 31 December 2020 £m	Year ended 30 June 2021 £m	Six months to 31 December 2021 £m	Six months to 31 December 2020 £m	Year ended 30 June 2021 £m
Associates	0.1	-	-	0.1	3.2	3.6
Joint ventures	2.2	2.0	3.8	1.2	1.4	2.0
Entities under common influence	1.5	1.2	16.9	-	1.0	15.4
Other group entities	28.7	25.9	49.2	-	-	-
	32.5	**29.1**	**69.9**	**1.3**	**5.6**	**21.0**

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 31 December 2021, the amount payable to joint ventures was £0.2m (31 December 2020: £nil; 30 June 2021: £0.3m). There were no amounts receivable from joint ventures as at 31 December 2021 (31 December 2020: £nil; 30 June 2021: £nil).

As at 31 December 2021, the amount receivable from associates was £nil (31 December 2020: £0.4m; 30 June 2021: £0.2m). There were no amounts payable to associates as at 31 December 2021 (31 December 2020: £nil; 30 June 2021: £nil).

As at 31 December 2021, the amount receivable from entities under common influence was £3.4m (31 December 2020: £0.8m; 30 June 2021: £5.0m). There were no amounts payable to entities under common influence as at 31 December 2021(31 December 2020: £nil; 30 June 2021: £nil).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 29) are set out in notes 17, 20 and 21.

28 Retirement benefits

Defined benefit scheme

In the period to 31 December 2021, the Group operated one defined benefit plan ('the 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 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 17 years.

The triennial valuation carried out as at 30 June 2020, was approved and signed on 27 January 2022, has been used for the purposes of measuring the plan assets and the present value of the defined benefit liability. This was carried out by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the latest triennial valuation figures.

Amounts recognised in the income statement in respect of the defined benefit plan were as follows:

	Six months to 31 December 2021 Unaudited £m	Six months to 31 December 2020 Unaudited £m	Year ended 30 June 2021 £m
Components of defined benefit finance income recognised in profit or loss	(0.5)	(0.1)	(0.8)
	(0.5)	**(0.1)**	**(0.8)**

The net interest item has been included within finance income (see note 9). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income in respect of the defined benefit plan were as follows:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Return on Plan assets excluding Interest Income	18.9	14.7	12.2
Experience gains arising on the Plan's liabilities	-	-	5.3
Actuarial (losses) / gains arising from changes in financial assumptions	(7.2)	(17.7)	8.3
Actuarial gains arising from changes in demographic assumptions	-	-	0.6
	11.7	**(3.0)**	**26.4**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan were as follows:

	31 December 2021 Unaudited £m	31 December 2020 Unaudited £m	30 June 2021 £m
Fair value of Plan assets	314.3	301.5	295.9
Present value of Plan liabilities	(253.2)	(282.9)	(248.8)
Surplus	**61.1**	**18.6**	**47.1**

29 Controlling parties

The Company's immediate parent undertaking is Arqiva Broadcast Intermediate Ltd ('ABIL'). Arqiva Group Limited ('AGL') is the ultimate UK parent undertaking and is the largest Group in which these financials are consolidated.

AGL is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II plus other Macquarie managed funds, Health Super Investments, IFM Investors Global Infrastructure Fund and the Motor Trades Association of Australia.