Connected. Always.

Arqiva Limited Registered number 02487597

Annual Report

For the year ended 30 June 2020

Corporate information

As at the date of this report (23 October 2020):

Company Directors

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

Group website:
www.arqiva.com

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

Company secretary:
Jeremy Mavor

Registered Office
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
02487597

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

Cautionary statement

This annual report contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Company to differ materially from the information presented herein. When used in this report, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Company, 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 Company 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 Company operates, which may impact the ability of the Company 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 Company operates;
- the ability of the Company 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 Company to develop, expand and maintain its broadcast and machine-to-machine infrastructure;
- the ability of the Company to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- the Company’s dependency on only a limited number of key customers for a large percentage of its revenue; and
- expectations as to revenues not under contract.

Guidance note to the annual report:

In this document, references to ‘Arqiva’ and ‘the Group’ refer to Arqiva Group Limited (‘AGL’) and its subsidiaries (i.e. the ultimate parent group) and business units as the context may require. Arqiva Limited is the largest trading entity within the Group therefore any references to the Group are considered relevant for the Company. Where figures relating to financial position and performance are stated, they relate specifically to Arqiva Limited (‘AL’) (i.e. the Company).

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

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


Digital Radio

Contents

Arqiva in 2020	**01**
Highlights	**03**
Strategic report	**05**
Business overview	06
Business model and business units	08
Strategic overview	12
Business update	14
Financial review	18
Key performance indicators	22
Corporate responsibility	24
Modern Slavery act: Slavery and Human Trafficking Statement	32
Governance	**34**
Board of Directors and Senior Executive Committee	35
Principal risks and uncertainties	39
Directors' report	44
Statement of Directors' responsibilities	56
Group financial statements	**57**
Independent Auditors' report to the members of Arqiva Limited	58
Income statement	60
Statement of comprehensive income	61
Statement of financial position	62
Statement of changes in equity	63
Notes to the Group financial statements	64

Cover Image: Built in 1965, the mast at Sandy Heath, Bedfordshire stands 244m/801ft tall and provides TV and radio services to the surrounding area, serving almost 1 million homes for TV services.
Any group images used in this report were taken prior to March 2020.

Arqiva in 2020

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

c.1,150

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

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[2], with video stream capacity of 32 channels that were 90% utilised

c.1,500

broadcast transmission sites

745

radio sites with >2,480 radio transmitters

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

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

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

c.8,000

active licensed macro cellular sites[3]
The Group successfully signed a sale and purchase agreement for the disposal of this business line during the year

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

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

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

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

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

See also
Strategic Overview:
Pages 12-13

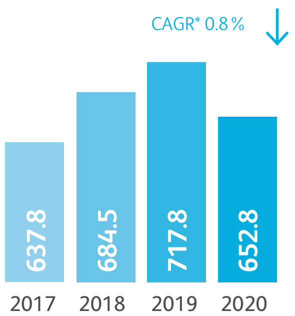
See also
Business Model and
Business Units:
Pages 08-09

Highlights

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

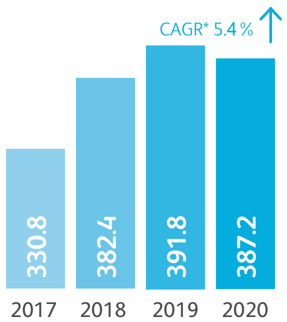
During the year, Arqiva announced the sale of its Telecoms business in a c.£2.0bn agreement, this is a key step in deleveraging our debt and focus on securing our position in broadcast and M2M markets.

Revenue
£m

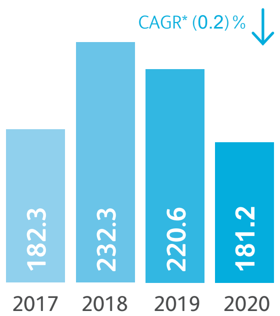


Compound Annual Growth Rate ('CAGR')

EBITDA[1]
£m



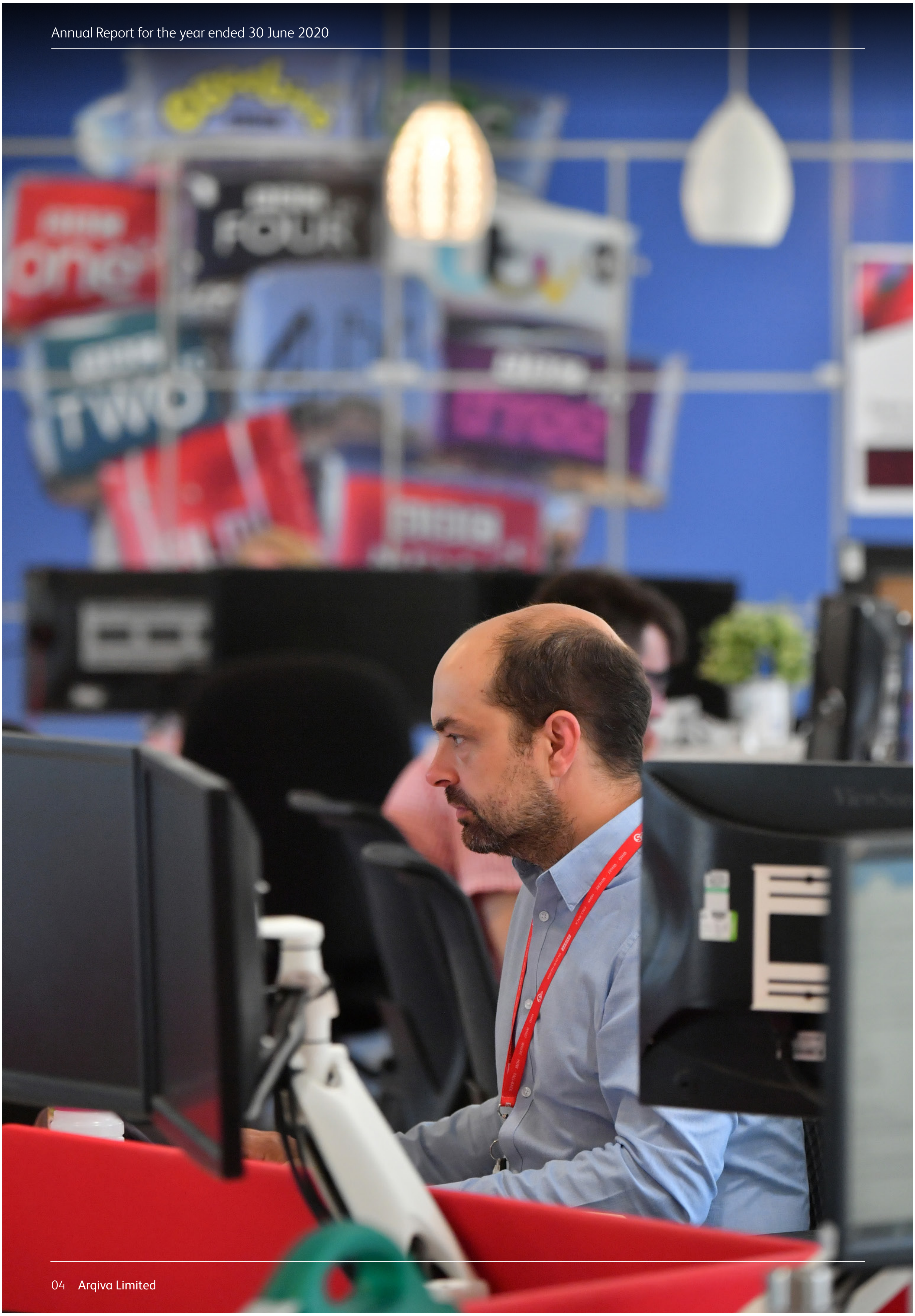
Operating profit
£m



Key financial activities during the year include:

- Revenue decrease for the year of 9.1%, (3.2% from continuing operations), reflecting expected declines due to the end of legacy contracts, decision to exit certain market areas and programme completion along with some challenges in the markets in which we operate including impacts from the Covid-19 pandemic;
- Delivery of the 700MHz programme in accordance with key programme milestones, with work completed on 1,149 sites thus far as the project nears completion;
- Continuing the delivery phase of the smart energy metering contracts, finishing the year with network coverage of circa 99%;
- Securing a contract to deliver a Smart Water metering communication network for Anglian Water;
- Implementation of IFRS 16 Leasing standard which has a material impact on the Company financials given the nature of our business, contributing to earnings (i.e. EBITDA) for the total reported business decreasing only 1.2% and EBITDA from the continuing business increasing 6.0% despite revenue decreases;
- Agreement of sale of the Group's Telecoms infrastructure at an enterprise value of £2.0bn. Prior to the execution of this agreement the Company has transferred its interest in certain telecoms infrastructure and related assets to other group companies. It has also received the transfer of some parts of the Media Networks business from other group companies.
- The sale completed post year end on 8 July 2020 and this business line is presented as a discontinued operation throughout the financials for the Company.

1 EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation'. This includes adjustments for certain other items charged to operating profit that do not reflect the underlying business performance. See page 20 for where this measure is fully explained and reconciled back to operating profit as presented in the income statement.



Strategic report

Business review

Business overview 06
Business model and business units 08
Strategic overview 12
Business update 14

Performance review

Financial review 18
Key performance indicators 22

Business sustainability

Corporate responsibility 24
Modern Slavery Act: Slavery and Human Trafficking Statement 32

Business overview

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

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

The Group is the only national provider of terrestrial television and radio broadcasting and provides a machine-to-machine connectivity network for smart metering within the utilities sector. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve. Arqiva is independent and reliable.

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

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

Whilst it has a small overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region; therefore, we have minimal exposure to international markets, Brexit impacts from the UK's withdrawal from the EU or foreign exchange.

The Company has invested significant sums into its infrastructure and has £1.3bn of property, plant and equipment at 30 June 2020. Arqiva is financed through a mixture of equity and long-term debt, with an average debt maturity profile of over 5 years. The Group's senior debt has an investment grade (BBB) rating from Standard and Poor's and Fitch and a junior debt rating of B-/B1 from Fitch and Moody's.

Attractive UK communications infrastructure market

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

A market leader

The following key competitive positions make Arqiva the market leader:

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

High barriers to entry

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

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

1 Refers to Public Service Broadcasters ('PSBs')

A pioneer in an always on, always connected world.

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

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

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

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

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

Business model and business units

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

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

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

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

Media Networks

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

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

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

The business unit holds a regulated position as the sole provider of network access for terrestrial television broadcasting. The Company is currently earning revenue on delivery of the programme to clear the 700MHz frequency range of television signals, so that it can be used for mobile data although revenues are declining in this area in line with achievement of roll-out of the programme.

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

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

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

communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite product base. Arqiva's global satellite network delivers content to the world's major Direct-to-Home (DTH) platforms including Sky and Freesat as well as the increasingly popular IPTV, mobile and web TV platforms. Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.3bn (2019: £3.5bn[1]) which includes major contracts running as far as 2035.

Telecoms & M2M

Prior to the sale in July 2020, Telecoms & M2M controlled a large portfolio of active licensed macro sites and generated revenues from site share arrangements as well as installation services for the roll-out of 4G and 5G data capabilities and other site and equipment upgrades. This business unit also generated revenues with respect
to the build and operation of the smart 'machine-to-machine' networks and other data transmission services including small cells, and other M2M applications.

The Telecoms & M2M division was the UK's largest independent provider of wireless towers, with circa 8,000 active licensed macro cellular sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing agreements, from which Arqiva earns site share revenues and delivers equipment upgrades for the roll-out of new technologies. These towers are central to achievement of Mobile Network Operators' contractual obligations and requirements to provide up to 98% 4G coverage.

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

With a focus on innovation, Arqiva continues to embrace the fast developing machine-to-machine sector for which Arqiva utilises its Flexnet network across our smart metering contracts with utility and water companies. The Group has invested in building M2M networks, which are now supporting a major energy metering contract spanning 15 years and covering more than 9 million premises, and water metering contracts which will cover 3 million homes in an initial phase of 6 years, with likely extension for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which now result in recurring cash flows during the long-term operational phases of the networks. The M2M utilities business remains a key part of the ongoing Arqiva business.

Following the disposal of the Telecoms business, the M2M network continues to be a key area of focus for the Group with an order book of £0.5bn (2019: £0.5bn[2]), with some contracts running as far as 2036.

Corporate

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

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

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

Business model and business units

Sale of the Telecoms portfolio

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

Following this disposal, we enter a period of evolution for Arqiva, with the focus on maintaining Arqiva's position as the number one provider of broadcast infrastructure and being a leading player within the machine-to-machine market. There will be a change in the organisational structure of the Group, moving away from the traditional business units and adopting an integrated operating model in order to better serve our customers with their requirements for our products and services. The following demonstrates how the key infrastructure looks to support this focus moving forward into the next financial year.

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

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

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[2], giving videostream capacity of 32 channels

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

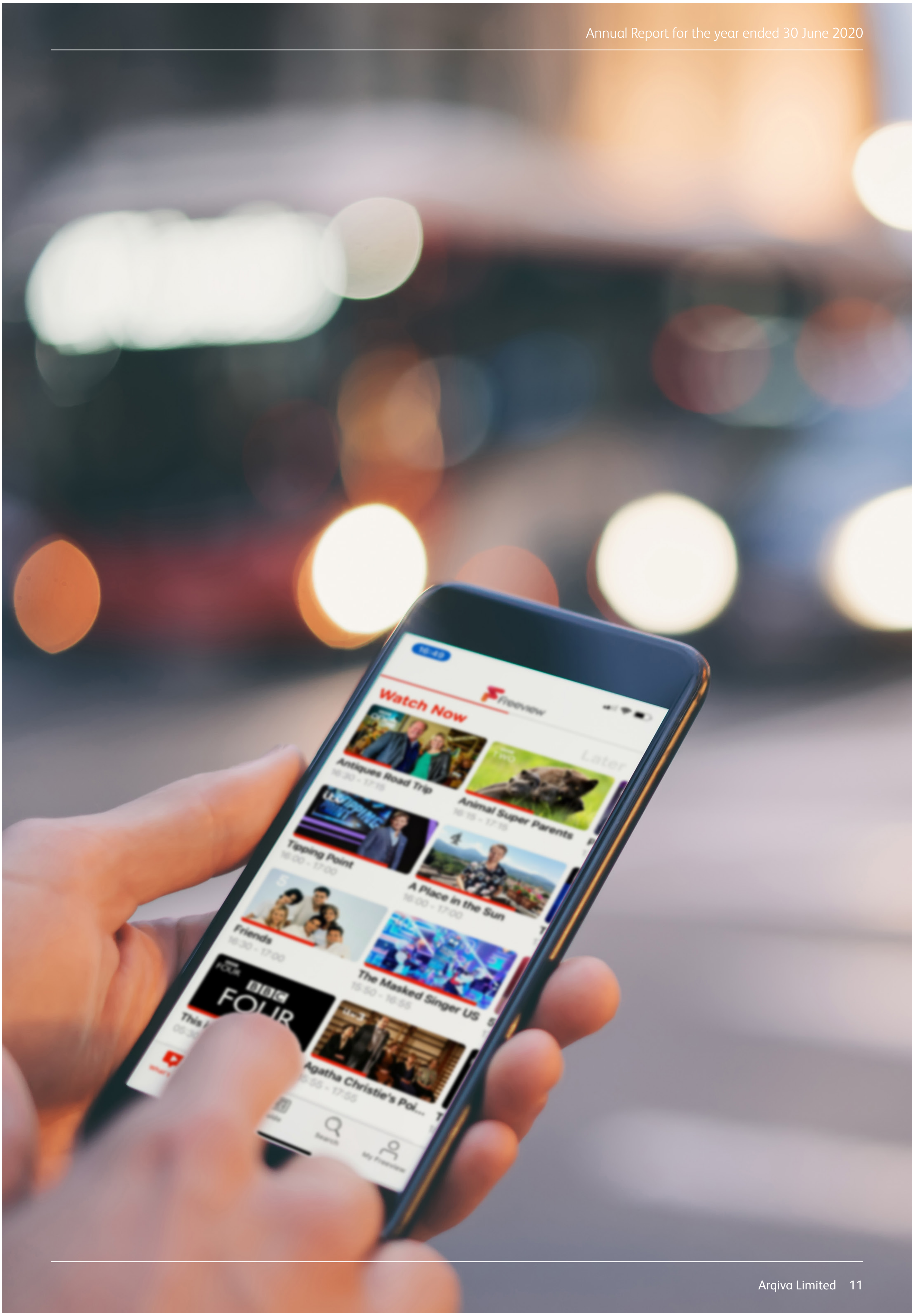
Smart water networks to both the largest UK water company by population and the largest by geographical area. Over 500,000 water meters operating on these networks to date

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

See also
Strategic Overview: Page 12

See also
Key Performance Indicators: Page 22

1 Refers to the Digital Terrestrial Television platform, best known for supporting Freeview.
2 Main national commercial multiplexes refers to those considered to be most established.


Watch Now
Freeview
Antiques Road Trip
Animal Super Parents
Tipping Point
A Place in the Sun
Friends
The Masked Singer US
BBC FOUR
Agatha Christie's Poi...

Strategic overview

Vision

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

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

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

Strategy

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

The following summarise the core priorities of the business.

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

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

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

2020 Progress

Securing our leading position in broadcast TV and Radio

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

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

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

Creating a high performance, high engagement culture

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

Deliver financial outcomes which create value

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

Business update

Corporate

Sale of Towers business and repayment of debt

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

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

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

Separation

The separation process in respect of the above sale also completed on 8 July2020, with all impacted Telecoms employees transferring from Arqiva Limited to the disposed Arqiva Services Limited. Operationally, the Transition Services Agreements (TSA) went live on this date following a successful period of testing during June and early July. A separate TSA exit programme is being initiated to ensure an eventual smooth migration off the TSA systems and services.

Credit ratings updates

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

New CEO and new organisation structure

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

Following the Telecoms disposal, Paul will drive the next phase of Arqiva's evolution by focusing on strengthening the Group's position as the UK's number one broadcast infrastructure solutions provider and a leading player in the UK M2M market. To drive this focus, Arqiva has adopted a new organisation structure underpinned by an integrated operating model. The business will move away from its business unit structure and organise itself in a way that will better serve our customers, their delivery requirements, and the products and services that we provide. This change will:

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

Covid-19

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

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

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

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

Transformation update

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

Media Networks

700 MHz Clearance and DTT spectrum

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

Digital Platforms channel utilisation

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

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

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

Radio

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

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

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

Business update

Telecoms & M2M

Anglian Water

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

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

Thames Water

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

Yorkshire Water

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

Designed to facilitate real-time monitoring, the collection and presentation of frequent meter reading data provided by the service will allow Yorkshire Water to reduce demand for water by rapidly identifying leaks and helping customers understand their usage.

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

Other Trials

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

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

Smart energy metering rollout

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

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

Customer contracts renewals

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

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

Airwave provide the current ESN service across the UK and the Home Office has extended the service mandate to Airwave for a minimum 3 year period. Arqiva has renewed the Airwave contract across c. 1,000 sites, again for 3 years, with flexibility to extend as the service mandate may also extend. Additional revenues are anticipated from upgrades across the Airwave network.

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

Financial review

Headline financials

Revenue

↓ 9.1% to

£652.8m

Revenue continuing operations

↓ 3.2% to

£583.4m

Revenue from discontinued operations down 39.7% to £69.4m

EBITDA

↓ 1.2% to

£387.2m

EBITDA continuing operations

↑ 6.0% to

£349.6m

EBITDA from discontinued operations down 39.2% to £37.6m

Operating profit

↓ 17.9% to

£181.2m

Operating profit continuing operations

↑ 1.2% to

£171.6m

Operating profit from discontinued operations

↓ 81.2% to

£9.6m

Profit before tax

£388.2m

loss includes non-cash charges (net) of £187.9m (2019: £166.0m) – see page 21)

Profit before tax from continuing operations

£378.5m

(2019: £348.4m)

Profit before tax from discontinued operations

£9.7m

(2019: £51.1m profit)

Financial performance

For the year ended 30 June 2020, revenue for the Company was £652.8, a decrease of 9.1% from £717.8m in the prior year. The decrease is reflective of managed and expected declines in activity from peaks in 2019 as the business exits certain areas as well as legacy contracts and major programmes nearing completion.

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

Revenue includes £69.4m (prior year £115.1m) from discontinued operations relating to the Company's Telecoms business which sits within the Telecoms & M2M business unit. Excluding the effect on financial performance of this part of the business, revenue from continuing operations decreased 3.2% from £602.7m to £583.4m.

Revenue	30 June 2020 £m	30 June 2019 £m	Variance %
Total	652.8	717.8	(9.1) %
Total continuing operations	583.4	602.7	(3.2) %
Total discontinued operations	69.4	115.1	(39.7) %

As discussed on page 08, on 1 July 2019 the Terrestrial Broadcast and Satellite and Media business units were merged into a single customer facing business unit, to be known as Media Networks. The Networks team previously within the Corporate business unit has also moved into the Media Networks business unit.

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

Telecoms & M2M revenues have decreased driven by one off reductions incurred on, and an end to, legacy contracts within the core telecoms towers business and lower site share rentals resulting from lower site assignments. This has however been partially offset by Installation Services revenue, generated from assisting MNOs in meeting coverage requirements, which has increased in the year due to the start of 5G roll-out. These changes reflect movements in the discontinued operations of the business. The continuing operations predominantly reflect the M2M utilities business. Revenues have decreased due to incremental change request revenues in the prior year not repeated at the same levels as the contract progresses, partially offset by increased core revenue as the business continues through the delivery phase and additional services launched.

Gross profit was £468.3m, representing a 1.1 % decrease from £473.3m in the prior year. Gross profit from the continuing business increased by 4.9 % year on year from £402.8m to £422.5m excluding the Telecoms operations held for sale. The change in margin is predominantly due to revenue as explained above, offset by a reduction in Cost of Sales following the implementation of the IFRS 16 leasing standard explained below.

Other operating expenses before exceptional items were £81.1m, down 0.5 % from £81.5m in the prior year. The movement is primarily due to a reduction in headcount and therefore staff costs following the implementation of the new Media Networks structure which has been offset by increased headcount in other areas supporting the significant project work undertaken through the year.

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that are not considered to reflect the underlying business performance. A reconciliation of EBITDA to operating profit is provided on page 20.

EBITDA by operating segment	30 June 2020 £m	30 June 2019 £m	Variance %
Total	387.2	391.8	(1.2) %
Total continuing operations	349.6	330.0	6.0 %
Total discontinued operations	37.6	61.8	(39.2) %

EBITDA for the Company was £387.2m, down 1.2 % from £391.8m in the prior year. EBITDA as a measure has been significantly impacted in 2020 by the implementation of the new accounting standard IFRS 16 Leases. IFRS 16 was implemented by the Company on 1 July 2019 with the capitalisation of leases on the balance sheet as right-of-use assets, therefore reducing the rent expense incurred in the income statement, as the unwind of the right-of-use asset is recognised as depreciation hence reducing cost of sales and increasing EBITDA.

The accounting for IFRS 16 has increased EBITDA by £41.4m in the year due to the derecognition of rental expense in cost of sales. This has been offset by the decrease in trading performance of the business revenues across the business due to exiting of legacy contracts, and wind down of certain programmes. Despite the decline in the current year, the annualised growth rate of EBITDA over the past 4 years remains positive at 5.3 %.

Depreciation (2020: £173.4m; 2019: £138.7m) and amortisation (2020: £10.2m; 2019: £15.5m) were collectively a 19.0 % increase of £29.4m year on year. There was an increase of £25.2m year on year due to the implementation of IFRS 16 with the

1 Other refers to the Group's corporate business unit. See pages 08-09 for a description of the Group's business units and the activities involved.

Financial review

capitalisation of right-of-use assets onto the statement of financial position as at 1 July 2019 and therefore creating a higher cost base for depreciation in the current year. This increase has been offset due to depreciation not being charged on assets designated on held for sale assets and lower accelerated depreciation and amortisation charges than in the prior year related to asset replacements connected with the 700MHz Clearance programme as the project nears completion, Occasional Use and Playout assets as these contracts cease and the Company's IT transformation programme.

In the execution of the Telecoms sale agreement the Company has transferred its interest in certain telecoms infrastructure and related assets to other group companies. It has also received the transfer of some parts of the Media Networks business from other group companies. The changes to the Company's asset base will be expected to impact the Company's depreciation moving forward.

Exceptional items charged to operating profit were £26.6m, up from £10.3m in 2019. Costs in the current year predominantly relate to transaction costs associated with one-off projects including costs in relation to the divestment of the Telecoms towers business. Further costs include reorganisation costs relating to changes in the structure of the business, and costs incurred as the Company executes its transformation programme.

Operating profit for the year was £181.2m, a decrease of 17.9% from £220.6m in the prior year but an increase of 1.2% in relation to the continuing operations of the Company. Whilst there has been a benefit from the adoption of IFRS 16 as a result of the removal of rental costs from cost of sales, this has been offset by an increase in depreciation due to IFRS 16 as well as the exceptional charges due to significant projects being undertaken by the Company which have resulted in the overall decrease.

A reconciliation between operating profit and EBITDA is presented below:

Reconciliation between operating profit and EBITDA	30 June 2020 £m	30 June 2019 £m
Operating profit	181.2	220.6
Exceptional items charged to operating profit	26.6	10.3
Depreciation	173.4	138.7
Amortisation	10.2	15.5
Impairment	-	9.2
Other income	(4.2)	(2.5)
EBITDA	387.2	391.8

Finance income (net of finance costs) were £206.9m, an increase of 15.7% from £178.9m in the prior year. The increase was primarily due to the compounding effect of interest on outstanding amounts owed by group undertakings partially offset by an increase in finance costs of £12.6m on lease liabilities following IFRS 16 adoption.

Profit before tax was £388.2m, a decrease from a profit of £399.5m in the prior year. The profit before tax is reported after non-cash charges of £187.9m (2019: £166.0m) as shown below:

Reconciliation between loss before tax and profit before tax and non-cash charges/(gains)	Year ended **30 June 2020** £m	Year ended **30 June 2019** £m
Profit before tax	**388.2**	**399.5**
Depreciation	173.4	138.7
Amortisation	10.2	15.5
Impairment	-	9.2
Other non-cash financing costs [1]	4.3	2.6
Total non-cash charges	**187.9**	**166.0**
Adjusted profit before tax and non-cash charges	576.1	565.5

Financial position

Net assets were £2,542.0m, representing an increase of 13.8% from £2,233.9m in the prior year. The increase principally arises from increased amounts receivable from other group entities. Our assessment of going concern is set out on page 21.

Going concern

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

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

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

Key performance indicators

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

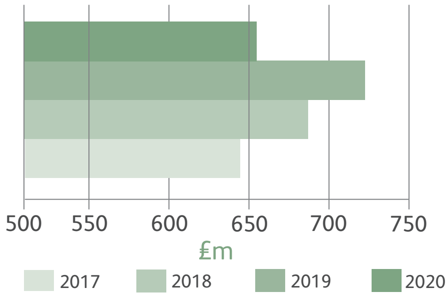
The Group's core priorities centre around:

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

See page 12 for further details on our strategic priorities

Delivering financial outcomes that create value…

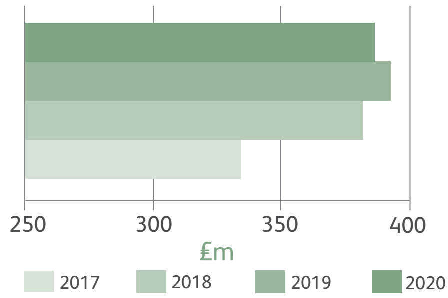
Revenue



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

Result – Revenue has decreased 9.1% from the prior year (2020: £652.8m; 2019: £717.8m) but remains positive at 0.8% on an annualised basis over the past four years. Following record revenues in the previous year the primary drivers of this reduction were expected due to one off contractual reductions and end of legacy contracts, managed exit of the Occasional Use satellite distribution, and reductions on the 700MHz Clearance programme as the programme nears completion as well as reduced capacity utilisation on DVB-T multiplex.

EBITDA



Definition – EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. See page 20 for its reconciliation to operating profit.

Result – EBITDA has been positively impacted in the year with the adoption of the IFRS 16 leasing standard. EBITDA remained flat with the prior year (2020: £387.2m; 2019: £391.8m) but continues to demonstrate growth over the past four years of 5.3% on an annualised basis. The reduction in the year was lower than the revenue decrease due to the derecognition of rental costs of £41.4m for leases due to IFRS 16 implementation.

Securing our leading market positions…

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

- The Smart Metering M2M contract, where network milestone B16 (99.4% network coverage) was achieved in December in line with our contractual obligations.
- 700MHz Clearance. As of 30 June 2020, 52 out of 54 (96%) Clearance Events and 1,149 out of 1,236 (93%) Site Visits have been completed. The programme was on track to clear the 700MHz frequency by April 2020 before Covid-19 restrictions meant DCMS requested postponement of the last two clearance events. Supporting infrastructure preparation works are progressing well with 98% (50 sites) of Main Station airworks and 99% (412 sites) of Relay Station airworks complete. In addition, groundworks have completed at 61% (32 sites).

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2020	99.99%	99.98%
2019	99.99%	99.99%
2018	99.99%	99.99%
2017	99.99%	99.99%
2016	99.99%	99.99%
2015	99.99%	99.99%

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

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

Our people…

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

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

Result - Arqiva holds an Investors in People Gold Award. This is the highest level of Investors in People Recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. It reflects the commitment to our values, clear focus on individual and team objectives aligned with business goals, focus on systems and process improvements.

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

Corporate responsibility

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

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

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

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

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

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

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

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

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

We have raised over £35,000 so far for Cancer Research UK through a combination of organised events and encouraging colleagues to donate unwanted items to their local CRUK shop. Our partnership with CRUK extends beyond fundraising – it's also about ensuring our colleagues are equipped with the support they may need should they, or their family, be affected by cancer.

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

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

People – living our purpose

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

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

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

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

Wellbeing

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

Arqiva has an annual event for employees focussing on both organisational and personal resilience, OR Week, which includes many wellbeing sessions and training courses. We also have a fast-growing network of mental health first-aiders, who are equipped to listen non-judgementally, reassure and respond to colleagues, even in a crisis.

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

Health and safety

Safety of individuals on our sites is of utmost importance. The Company is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare in its operations and for all those in the organisation and others who may be affected by its activities. The Company operates a robust integrated management system that is certified to ISO14001, ISO45001, ISO9001 and ISO27001 as well as offering training programmes covering specific skills and general awareness and run our own accredited IOSH Working Safely training scheme for our engineers. As a mark of our commitment to leading the industry in this area, Arqiva Health and Safety colleagues have been driving forces in the continual development of MATS, the Mast and Tower Safety Group.

Environment

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

Energy Consumption

Given the nature of the Group's activities, Energy consumption is a key area of interest both economically and environmentally. Arqiva's energy policy reflects the company's commitments to improving energy efficiency by:

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

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

See page **47** in Directors report for details on our annual emissions.

Waste Management

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

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

Information security

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

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

Corporate responsibility

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

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

Employees

The average number of persons employed by the Group during the year was 1,839 (2019: 1,987). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

Arqiva's policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political belief, disability or age. Like many engineering-based businesses we recognise that Arqiva has a higher proportion of men than women but we are working to address this and are working with the Employers Network for Equality and Inclusion through our diversity and inclusion programme.

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

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

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

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

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

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

	Female Number / %	Male Number / %
Board of Directors	1 / 8 %	11 / 92 %
Senior Executive Management	1 / 17 %	5 / 83 %
Group Employees	441 / 24 %	1,398 / 76 %

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

Gender Pay Gap

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

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in supply chains. The full statement is included on page 32 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

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

Taxation

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

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

This report was approved by the Board of Directors on 23 October 2020 and signed on its behalf by:

Frank Dangeard
23 October 2020

Corporate responsibility

A. Corporate Governance Statement

For the FY20 accounting year, the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), companies that meet certain thresholds are required to report on the directors' application of their section 172 duty to promote the success of the Company, as set out in the Companies Act 2006, along with stakeholder and employee engagement.

B. Section 172 Statement

The Companies Act 2006 sets out a set of general duties owed by directors to a company, including a list of matters to which the directors must have regard, which are set out in s.172(1)(a) to (f). During FY20, in continuing to exercise their duties the directors have had regard to these matters, as well as other factors, in considering proposals from the Management Board and continuing to govern the company on behalf of its shareholders.

Further information as to how the Board has had regard to the s.172 factors is set out in the Directors' Report as follows:

Section 172 factor	Key examples	Page
Consequence of any decision in the long term	Strategic Overview (including 2020 progress)	12-13
Interests of employees	Employee Engagement, below People – living our purpose Employees	 25 (Corporate Responsibility) 26
Fostering business relationships with suppliers, customers and others	Stakeholder Engagement, below Business Update	14-17
Impact of operations on the community and the environment	Environment Energy Consumption and Waste Management Charity	25 25 24
Maintaining high standard of business conduct	Governance, pages Health & Safety Modern Slavery Act, Anti-Bribery & Corruption	35-38, 41-43 25 27
Acting fairly between members	Stakeholder Engagement, below Accountability	51

C. Stakeholder Engagement Statement

Throughout the year, the Board has continued to ensure engagement with relevant stakeholders both in day to day business, and also as part of key developments this year such as Covid-19 and the sale of the group's Telecoms business. Examples of the way in which this engagement has taken place are set out in the table below.

Section 172 factor	Key examples
Employees	Please see our Employee Engagement Statement below and Corporate Responsibility statement (pages 26-28) for full details.
Regulatory Bodies	We have good relationships with representative in all relevant regulatory bodies and engage regularly with Ofcom; the Department for Culture, Media and Sport (DCMS); the Department for Business Enterprise and Industrial Strategy (BEIS), as well as monitoring relevant developments with Ofwat and Ofgem as regulators of customers of our Utilities business. We participate in consultations and consult with government departments and regulators when setting strategy and making decisions that affect industry generally; during financial year 2020 this has included working closely with regulators during Covid-19, and in relation to the sale of our Telecoms business.
Investors	Quarterly reports to credit investors are published on our website and available to all; an annual credit investor call is held, in which we review our annual results and invite questions from investors. We worked closely with our investors in relation to the sale of our Telecoms business to obtain approval in advance and secure their ongoing positions.
Customers	Our relationships with our customers are very important to us, and we maintain regular contact through account managers; Management Board members; and where appropriate our Chairman. As part of Covid-19 we have sought to understand and support customers who have been affected and ensure continued delivery of services.
Suppliers	Our Procurement team oversees supplier relationship management, with a category management structure so that employees have relevant expertise for each supplier. We work closely to ensure positive relationships, seeking to agree fair terms and conditions and ensure timely payment, through adherence to and reporting on the Prompt Payment Code.
Shareholders	Shareholder Representatives on the Board report back to shareholders on the business and take their interests into account when making decisions, while operating in accordance with their Companies Act duties. The group's corporate governance specifies a number of categories of decision which are Shareholder Reserved Matters, ensuring that key decisions affecting shareholders are subject to necessary resolutions of all shareholders. This governance was followed when agreeing and implementing the sale of the Telecoms business and associated investment decisions.
Stakeholders	As part of our infrastructure projects, we engage with planning authorities and local communities to foster positive relationships. Arqiva's charitable engagement also seeks to support communities local to the areas in which it operates.

Corporate responsibility

D. Employee Engagement Statement

1. Information

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

2. Consultation

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

3. Involvement

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

4. Common Awareness

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


Supporting
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Modern Slavery Act: Slavery and Human Trafficking Statement

Overarching Statement

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

Organisation's Structure

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

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

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

Our Supply Chains

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

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

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

Our Policies on Slavery and Human Trafficking

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

Due Diligence Processes for Slavery and Human Trafficking

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

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

Modern Slavery Act: Slavery and Human Trafficking Statement

Supplier Adherence to our Values

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

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

Training

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

Our Effectiveness in combating Slavery and Human Trafficking

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

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

Steps taken during the financial year to 30 June 2020

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

a) We have continued to progress a re-qualification process for all of our suppliers, using our e-procurement system. The re-qualification process includes revised background checks and either (a) confirmation of acceptance of the Arqiva Supplier Code of Conduct (which covers modern slavery and human trafficking); or (b) demonstration that the Supplier has its own equivalent policies covering modern slavery and human trafficking. In addition, all incoming suppliers now go through the e-procurement system requiring these confirmations at the outset of the contractual relationship. Purchase Orders cannot be placed with new suppliers before the confirmation has been given.

b) During FY 2020, we have completed our qualification process on existing suppliers so that all Arqiva suppliers have now confirmed compliance with the Modern Slavery Act via the Procurement Qualification Process, and business controls in place to ensure that purchase orders can only be raised upon within our finance systems with suppliers who are qualified.

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

Statement

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

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

Governance

Board of Directors and Senior Executive Management	35
Principal risks and uncertainties	39
Directors' report	44
Statement of Directors' responsibilities	56

Board of Directors and Senior Executive Management

Ownership

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

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

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

Board committee membership

A Audit and Risk Committee
G Governance and Nomination Committee
R Remuneration Committee
O Operational Resilience
Committee Chair (shaded box)

Arqiva Board of Directors

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

Mike Parton, Chairman and Governance and Nomination Committee Chair

Mike has brought a wealth of experience from his background in telecoms and technology. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi where he became CEO in 2001 until 2006.

A G R

1 See page 55 for the directors of Arqiva Limited, the Company, who held office during the year and up to the date of this report.

Arqiva Board of Directors (continued)

Paul Donovan, Chief Executive Officer

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

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

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

Sean West, Chief Financial Officer

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

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

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

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

Sally Davis, Director and Remuneration Committee Chair

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

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

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Appointed by Frequency Infrastructure Communications Assets Limited:

Mike Darcey, Director and Operational Resilience Chair

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

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

O G

Martin Healey, Director

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

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

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

A O

Neil King, Director

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

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

G R

Board of Directors and Senior Executive Management

Appointed by Frequency Infrastructure Communications Assets Limited: (continued)

Peter Adams, Director (alternate)

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

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

Appointed by Macquarie European Infrastructure Fund II:

Frank Dangeard, Director and Audit and Risk Committee Chair

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

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Mark Braithwaite, Director

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

A G R

Appointed by IFM Investors:

Christian Seymour, Director

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

A G R O

Max Fieguth, Director (alternate)

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

Executive Committee

(also includes the Chief Executive Officer and the Chief Financial Officer on page 36)

Shuja Kahn, Chief Commercial Officer

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

Vivian Leinster, Chief People Officer

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

Jeremy Mavor, Executive Director, Corporate Affairs

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

Neil Taplin, Executive Director, Operations

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

Clive White, Chief Technology and Transformation Officer

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

Alex Pannell, Executive Director, Commercial Broadcast and Utilities

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

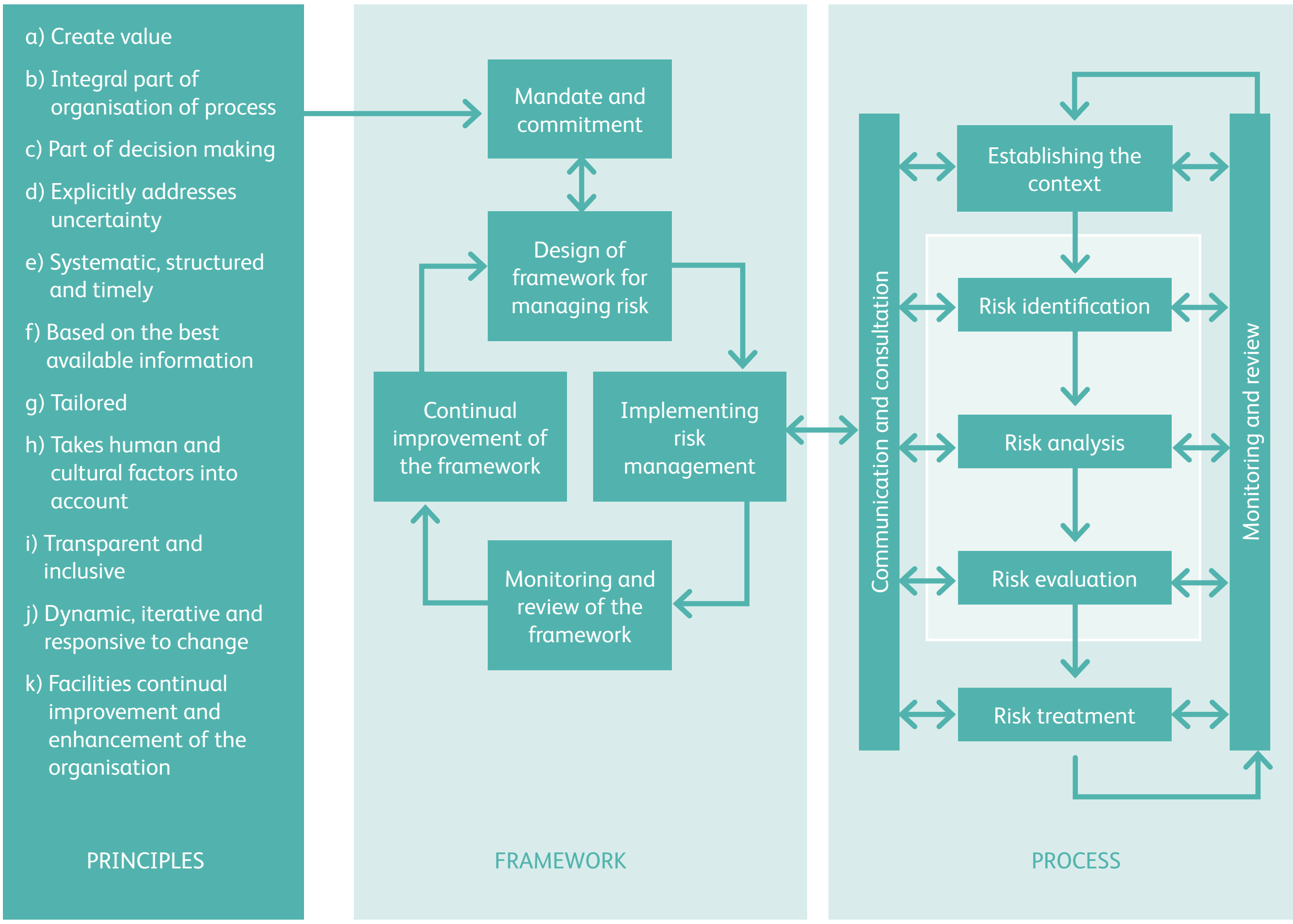
Principal risks and uncertainties

Arqiva's approach to risk management is as follows:

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

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

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



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

Business Management:

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

Senior Executive Management:

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

Audit and Risk function / Audit committee:

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

Principal risks and uncertainties

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

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

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Demand, Health and Financial	All	Risk to demand and operational capabilities as a result of Covid-19 public health pandemic.	Arqiva maintains regular dialogue with customers and other stakeholders with regard to impact of the pandemic. Management continue to review the working capital and liquidity facilities available to the Group. Arqiva maintains an Operational Resilience team who monitor latest restrictions and guidelines from the government. Business Continuity Plans are established and maintained for each key site and business area.	Financial liquidity is continually monitored and reviewed with regard to available facilities for the Group and increased working capital bank facilities during the year. Business Continuity Plans have been enacted and Arqiva has implemented changes to sites to conform sites to government Covid secure guidelines and alternative working arrangements and technology to support this to enable continued provisions of the Group’s services and safe working conditions for employees.
Reputational	All	Bad publicity damages Arqiva’s reputation and customer and business partner confidence and its ability to do business as a result of: ▸ A major event or incident impacting our services; ▸ Untimely delivery on major projects; ▸ Repeated unexpected service outages; ▸ Security breach or cyber attack on networks; or ▸ Major network or equipment failure or obsolescence or inability to configure to comply with information security standards.	Arqiva carefully engages with its customers to ensure that project milestones are carefully managed, and management regularly review the progress status of all projects. . Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. Arqiva has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. Cyber attacks and trends in this area are continually monitored. The Company continues to invest in its infrastructure.	Arqiva has continued to achieve its target result for ‘network availability’ (see page 23) and has continued to meet its contractual milestones on its major contractual programmes (see page 23). Arqiva maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees. Latest trends in cyber attacks are monitored and training provided to employees on potential cyber attacks and types of attack. Business Continuity Working Group continues to meet on a monthly basis and will test and roll out the Disaster Recovery plan. Continued capital expenditure in the year to improve infrastructure. Continuing to implement the transformation programme across the business including IT systems to ensure they are up to date and supported through support of Transformation board and regular meetings with the Executive Committee

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Demand	All	Risk to demand and operational capabilities as a result of Covid-19 public health pandemic.	Arqiva maintains regular dialogue with customers and other stakeholders with regard to impact of the pandemic. Management continue to review the working capital and liquidity facilities available to the Group. Arqiva maintains an Operational Resilience team who monitor latest restrictions and guidelines from the government. Business Continuity Plans are established and maintained for each key site and business area.	Financial liquidity is continually monitored and reviewed with regard to available facilities for the Group and increased working capital bank facilities during the year. Business Continuity Plans have been enacted and Arqiva has implemented changes to sites to conform sites to government Covid secure guidelines and alternative working arrangements and technology to support this to enable continued provisions of the Company's services and safe working conditions for employees.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering. Risk of mental health issues as a result of significant organisational changes.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety and site security.	During the year, Arqiva maintained its compliance with OHSA518001 regarding safety management. Mental health strategy continues to be of focus including improving general awareness amongst employees with mental health awareness week providing seminars and training and a wellbeing programme. A team of mental health first aiders have been trained and are available across the organisation.
Technological	MN	Developments in alternative broadcast technologies, such as internet connected TV, which competes against the Group's DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business. Technical refresh in 'machine-to -machine' markets impacting potential obsolescence of legacy systems.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition, Arqiva has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its involvement in Freeview Play. Arqiva has rolled out national and commercial local DAB in line with its 'New Radio Agreement' with the BBC and government targets which helps to ensure it remains at the forefront of this future technological change.	Arqiva remains in dialogue with relevant stakeholders for the review into timeframes for full analogue radio switchover. Arqiva has completed upgrades to the DAB network to remain in a strong position to support a future switch over. The business model of Arqiva is undergoing significant review to ensure long term strategy and the core priorities of the business are aligned to the core Broadcast and utilities markets. The alignment of the Terrestrial Broadcast and Satellite and Media business units has been established to be able to bring a more streamlined approach to changes in the market with regards to new developments in content delivery.
Political	All	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes and licensing. The uncertainty over a deal for Britain's exit from the European Union heightens the uncertainty over future policy and economic conditions and pressure on future refinancing requirements.	Arqiva maintains regular dialogue with its stakeholders to ensure the delivery of its programmes are efficient, timely and to specification. Where specification changes occur Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of those costs through mechanisms in its contracts. Arqiva's assets and operations remain predominantly in the UK and therefore its business has minimal exposure to the changing relationships with international markets. Additionally we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope change requests on its smart energy metering programme with its customer demonstrating the customer's continued focus on network roll out. Arqiva has continued to achieve its target result for 'network availability' (see page 23) and has continued to meet its contractual milestones on its major contractual programmes (see page 23). Arqiva has continued engagement with Ofcom regarding licensing arrangements. Debt markets have continued to be monitored for accessibility and open dialogue maintained with ratings agencies. Evolving commercial negotiations are closely monitored.

Principal risks and uncertainties

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Operational	All	Information, networks and systems, or communications infrastructure may be subjected to cyber security threats leading to a loss or corruption of data, penalties and impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	Arqiva maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review Arqiva's approach to disaster recovery and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass its quarterly security reviews and has consequently retained its ISO certification. Communication and training have been maintained with employees to ensure awareness of potential cyber security threats. Site inspections are completed with a focus on older sites and structural maintenance plans have been implemented. Business Continuity Plans have been enacted through the Covid-19 pandemic with keyworkers on sites able to continue seamless delivery of our operational services whilst adhering to social distancing guidelines.
	All	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of its major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customers to ensure that these requirements are sufficiently available.	Arqiva has continued to meet its contractual milestones on its major contractual programmes (see page 23).
	All	Customer relationships, operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of its people and seeks to make Arqiva a rewarding an enjoyable place to work. Arqiva operates a competitive annual bonus plan for all employees and a long-term incentive plan for its leadership team. Additionally, Arqiva operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention. Retention plans have continued to be implemented for key individuals particularly through significant organisational changes.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 44.		

Directors' report

The Directors of Arqiva Limited ('AL'), registered company number 02487597, ("the Company") submit the annual report and audited financial statements ("financial statements") in respect of the year ended 30 June 2020.

The Company is a significant trading component of the AGL Group, which owns and operates a portfolio of communications infrastructure including TV and radio transmission services, machine-to-machine networks and media services in the UK.

Financial risk management

The principal risks and uncertainties of the Group and Company have been outlined previously in this section of the report (see page **41**). As a result of these, as well as the on-going business activities and strategy of the Company, Arqiva is exposed to a variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

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

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The AGL Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate swaps. The Group has, however, elected not to apply hedge accounting, meaning gains or losses are recognised through the income statement as fair values fluctuate. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts. Debt and hedging instruments are not held by the Company but by other companies within the AGL Group.
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 ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities, so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date.
	Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms	With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Company is exposed to credit risk on customer receivables.	This is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectible debts.
	The Group is exposed to counterparty risks in its financing operations.	The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Directors' report

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth and funding for the Defined Benefit pension scheme.	The Company maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2020 the Company had £44.7m cash available. In addition, the Group has £250.0m of liquidity facilities available to cover senior interest payments if. These facilities are held by other group companies in the AGL Group and can be on-lent if required. The Board consider the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Purchase price risk	Energy is a major component of the Company's cost base and is subject to price volatility.	A large proportion of this is managed via pass-through arrangements to customers. The Company's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Company operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Company's revenues and costs are sterling based, and accordingly exposure to foreign exchange is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year cross currency swaps were in place in other companies within the AGL Group to fix the exchange rate in relation to US Dollar denominated private placement notes. The cross-currency swaps and US Dollar denominated Senior bonds do not form part of the AL Company.

Internal control over financial reporting

The Board of Directors review the effectiveness of Arqiva's systems of internal control, including risk management systems and financial and operational controls (see page **40**).

Audit and Risk Committee

The Audit and Risk Committee is chaired by Frank Dangeard and includes representation from the Board of Directors. The Audit and Risk Committee monitors the integrity of the Company's financial statements and the effectiveness of the external audit process. It has the responsibility for ensuring that an appropriate relationship exists between the Company and the external auditors, including a review of non-audit services and fees.

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

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

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

Internal audit

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

External audit

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

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

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

Remuneration Committee

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

Governance and Nomination Committee

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

Operational Resilience Committee

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

Directors' report

Streamlined Energy and Carbon Reporting (SECR)

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

Table 1 – Arqiva Energy Procurement

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

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

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

Table 2 – Consumption breakdown of Arqiva procured energy

	Number of Kilowatt hours (KW/h)
Arqiva	4,214,700
Arqiva Customer*	270,549,522

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

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

Table 3 Arqiva total energy consumption and equivalent greenhouse gas emission

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

*includes internal fleet, grey and hire car use.

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

Section 2 - Intensity Ratio

The intensity ratio has been calculated using the overall EBITA figure for the reporting year divided by the total tonnes of carbon dioxide equivalent produced. For every £247,869 of generated earnings before interest, tax, depreciation and amortisation (EBITDA), 1 ton of carbon dioxide equivalent (CO2/e) is produced by Arqiva. This will enable year on year comparisons to be made in the context of business growth.

Section 3 - Energy Efficiency Action taken

To reduce business mileage a review of maintenance regimes was undertaken alongside the introduction of a new technology that reduced the number annual inspections required and equipment that collected data remotely rather an individual needing to attend site. These initiatives led to an annual reduction of an estimated 187,700 miles equating to 53.1 tonnes of Carbon Dioxide

Section 4 - Methodology Used

Our Carbon accounting methodology is based on the following guidance;

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

Wates Corporate Governance Statement

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

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

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

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

Principle One - Purpose and Leadership

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

Purpose/ focus and activities during the year

The focus of the Board and Executive Committee during the year has been to lead Arqiva through changes in the markets in which it operates, consolidating its position in core areas and divesting its Telecoms business, and enabling a reduction of external debt to allow Arqiva to focus on its core broadcast, media networks and M2M businesses. In addition, since February 2020, a significant proportion of the Board and Executive Committee's time has been spent on the business' response to the Covid-19 pandemic. The following items were the key areas of focus during the year:

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

Directors' report

Values and culture

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

Principle Two - Board Composition

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

Chair

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

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

Balance and diversity

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

Arqiva is actively working with the Employers network for Equality and Inclusion in relation to diversity and inclusion. The Group recognises that there is further work to do in this area and continues to promote relevant initiatives. Page 26 of the Annual Report provides a breakdown of the gender of Directors and employees.

Size and Structure

The size and structure of the Board remains under periodic review so that it is best organised to meet the needs and challenges of the Group. In terms of Board size, a balance has been struck between ensuring Shareholders are adequately represented via their nominated Directors but also identifying directors with extensive relevant industry experience to be appointed together with the Group's CEO and CFO (see pages 35-37 of the Annual Report for full details of the composition of the Board of Directors and Senior Executive Management).

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

Effectiveness

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

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

Principle Three - Director Responsibilities

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

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

Accountability

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

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

Committees

Four Board sub-Committees have been instituted. Page 45-46 of the Annual Report provides an overview and description of each of the Board sub-Committees comprising: Audit and Risk, Remuneration Committee, Nomination & Governance and Operational Resilience. The Board sub-Committees promote effective decision making and greater accountability and focus in relation to each of the areas covered by the respective Board sub-Committees. The terms of reference for each of the sub-Committees were updated in October 2018.

Integrity of information

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

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

Directors' report

Principle Four - Opportunity and Risk

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

Opportunity

The Group's Board maintains a focus on how the Group creates and preserves value over the long-term which is principally achieved through a well-developed strategic and long-term planning process. The Board keeps its strategy under review which provides a forum to present future business opportunities and a Strategic overview is presented at pages 12-13 of the Annual report. Appropriate governance mechanisms are in place to ensure that new business opportunities above a certain value are considered and approved by the Board.

Risk

The Group has a well-developed risk management process in place and during FY20 has implemented an online risk assessment tool, which is used throughout the business (which is described on pages 39 and 40 of the Annual report). The Group's Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Executive Committee and Audit and Risk Committee meetings.

Arqiva's key operational risks and mitigations are outlined in detail on pages 41-46 of the Annual Report.

Responsibilities

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

- The Group's Executive Committee takes recommendations for ensuring the risk management framework remains effective going forward;
- Processes are in place for managing the principal risks and uncertainties;
- The internal control framework (described on page 39 of the Group's annual report) confirms that there is a monitoring and review process in place to evaluate risks at both business unit and Board level.

Principle Five - Remuneration

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

Remuneration

A consistent approach has been adopted in setting the level and structure of remuneration in relation to each member of the Executive Committee in order to secure appropriate and fair levels of remuneration. Benchmarking and advice from external remuneration consultants is obtained. Remuneration comprises of a number of elements including base salary, an annual bonus and a long-term incentive plan. Page 26 of the Group's annual report provides more detail and explains how remuneration is structured to recognise high performance reward for achieving targets in line with the Group's sustainable success and values. This aligns with remuneration arrangements for the remainder of the organisation where every employee's remuneration is made up of a combination of base salary and annual bonus (which, again, is linked to personal performance and achieving financial targets in line with the Group's values).

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

Policies

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

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

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

Principle Six - Stakeholders

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

Stakeholders

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

Workforce

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

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

External impacts

The Group's Corporate Responsibility statement sets out, on pages 24-26 of the Directors' Report, a description of the Group's four focus areas used to ensure that it acts responsibly, ethically and safely, from a Corporate; Community; Employee; and Business perspective. The statement also includes a summary of the Group's approach to environmental factors.

Directors' report

Equal opportunities policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training arranged. It is the policy of the Company that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability. Further information on how Arqiva supports its employees can be found on page 26.

Political donations

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

Charitable donations

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

Research and development

The Company performs research and development into new products and technology, the costs of which are capitalised in accordance with the Company's accounting policy where they meet the criteria for capitalisation. The research costs expensed in the year were £5.2m (2019: £6.1m). In addition, the Company carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £4.1m (2019: £2.9m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within property, plant and equipment. The Company's capital expenditure in the year was £247.0m (2019: £106.2m) and includes capitalised labour of £39.3m (2019: £42.1m). Other development costs would be capitalised within intangible assets. In the year, new development costs capitalised total £2.7m (2019: £2.2m), with amortisation of £1.6m (2019: £3.5m) charged against such capitalised development costs.

Overseas branches

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

Events after the reporting date

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

Proceeds from the transaction were received on 8 July 2020, at the point of legal completion of the sale by another company within the AGL Group. The proceeds have been utilised to repay debt and related swap derivatives that sit outside of the AL Company.

Dividends and transfers to reserves

The Directors' have not recommended a dividend in the year or post year end (2019: none). The profit for the year of £317.7m (2019: profit of £323.4m) was transferred to reserves.

Going Concern

The Strategic report includes information on the structure of the business, our business environment, financial review for the year and uncertainties facing the Company. Notes 17 and 19 of the financial statements include information on the Company's cash and borrowings presented within this report.

The Directors have considered the Company's profit and cash flow forecasts alongside the Company's current funding requirements, including the repayment profile of borrowings, and facilities available to the Company. The proceeds received by the wider Group from the sale of its Telecoms business will enable a significant deleveraging of the AGL Group during the next financial year. The Company has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments both in terms of capital programmes and financing.

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

Future developments

The Company plans to continue to invest in its business units in accordance with its strategy. Further detail is contained within the Strategic report on page 12.

Ownership and Directors

A description of the ownership of the ultimate parent company of the AGL Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 35.

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

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 35.

Details of the statutory directors of the Company are shown below:

Simon Beresford-Wylie
(resigned 20 April 2020)

Mark Braithwaite

Frank Dangeard

Mike Darcey

Sally Davis

Paul Donovan
(Chief Executive Officer)

Martin Healey

Neil King

Peter Adams (alternate)

Nathan Luckey
(resigned 4 August 2020)

Mike Parton (Chairman)

Christian Seymour

Max Fieguth (alternate)

Sean West
(Chief Financial Officer)

Directors Indemnities

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

Disclosure of information to the Independent Auditors

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

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

Statement of Directors' responsibilities

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

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

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

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

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

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

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

On behalf of the Board

Frank Dangeard
Director
23 October 2020

Financial Statements

Financial statements

Independent Auditors' report to the members of Arqiva Limited	58
Income statement	60
Statement of comprehensive income	61
Statement of financial position	62
Statement of changes in equity	63
Notes to the financial statements	64

Independent Auditors' report to the Members of Arqiva Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arqiva Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the

Strategic report and Directors' report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 56, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
October 2020

Income Statement

	Note	Year ended 30 June 2020 Continuing operations £m	Discontinued operations £m	Total £m	Year ended 30 June 2019 Continuing operations £m	Discontinued operations £m	Total £m
Revenue	6	583.4	69.4	652.8	602.7	115.1	717.8
Cost of sales		(160.9)	(23.6)	(184.5)	(199.9)	(44.6)	(244.5)
Gross profit		**422.5**	**45.8**	**468.3**	**402.8**	**70.5**	**473.3**
Depreciation	15	*(164.7)*	*(8.7)*	*(173.4)*	*(129.5)*	*(9.2)*	*(138.7)*
Amortisation	14	*(10.1)*	*(0.1)*	*(10.2)*	*(15.4)*	*(0.1)*	*(15.5)*
Impairment	16,17	-	-	-	*(9.2)*	-	*(9.2)*
Exceptional operating expenses[1]	*8*	*(7.4)*	*(19.2)*	*(26.6)*	*(8.9)*	*(1.4)*	*(10.3)*
Other administrative expenses		*(72.9)*	*(8.2)*	*(81.1)*	*(72.8)*	*(8.7)*	*(81.5)*
Total operating expenses		(255.1)	(36.2)	**(291.3)**	(235.8)	(19.4)	**(255.2)**
Other income		4.2	-	4.2	2.5	-	2.5
Operating profit	7	**171.6**	**9.6**	**181.2**	**169.5**	**51.1**	**220.6**
Finance income	10	233.6	0.1	233.7	190.9	-	190.9
Finance costs	11	(26.7)	-	(26.7)	(12.0)	-	(12.0)
Profit before tax		**378.5**	**9.7**	**388.2**	**348.4**	**51.1**	**399.5**
Tax	12	(67.5)	(3.0)	(70.5)	(69.8)	(6.3)	(76.1)
Profit for the year		**311.0**	**6.7**	**317.7**	**278.6**	**44.8**	**323.4**

Further comments on Income Statement line items are presented in the notes to the financial statements.

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

Statement of comprehensive income

	Note	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit for the year		317.7	323.4
Items that will not be reclassified to profit or loss			
Actuarial losses on pension schemes	25	(11.9)	(5.1)
Movement on deferred tax relating to pension schemes		2.3	0.9
Other comprehensive expense for the year		**(9.6)**	**(4.2)**
Total comprehensive income		**308.1**	**319.2**

All items of other comprehensive income relate to continuing operations.

Statement of financial position

	Note	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Non-current assets			
Goodwill	13	43.5	43.5
Intangible assets	14	45.6	46.3
Property, plant and equipment	15	1,266.8	1,108.6
Deferred tax	24	77.5	48.1
Retirement benefits	25	16.1	22.0
Investments in subsidiaries	15	87.5	66.4
		1,537.0	**1,334.9**
Current assets			
Trade and other receivables	17	2,895.0	2,397.4
Contract assets	17	14.0	18.0
Cash and cash equivalents	18	44.7	4.3
		2,953.7	**2,419.7**
Total assets		**4,490.7**	**3,754.6**
Current liabilities			
Borrowings	20	(17.4)	(0.8)
Trade and other payables	19	(1,501.4)	(1,139.5)
Contract liabilities	19	(73.4)	(120.7)
Provisions	23	(2.5)	(4.7)
		(1,594.7)	**(1,265.7)**
Net current assets		**1,359.0**	**1,154.0**
Non-current liabilities			
Borrowings	20	(91.7)	(16.9)
Contract liabilities	19	(184.0)	(190.7)
Provisions	23	(78.3)	(47.4)
		(354.0)	**(255.0)**
Total Liabilities		**(1,948.7)**	**(1,520.7)**
Net assets		**2,542.0**	**2,233.9**
Equity			
Share capital	26	30.0	30.0
Share premium	27	90.8	90.8
Retained earnings		2,412.3	2,104.2
Other reserve		(4.5)	(4.5)
Capital Reserve		13.4	13.4
Total equity		**2,542.0**	**2,233.9**

The notes on pages 64 to 94 form part of these financial statements.
The financial statements on pages 60 to 94 were approved by the Board of Directors on 23 October 2020 and were signed on its behalf by:

Frank Dangeard - Director

Statement of changes in equity

	Share capital £m	Share premium £m	Retained earnings £m	Other reserve	Capital reserve £m	Total equity £m
Balance at 1 July 2018	**30.0**	**90.8**	**1,785.0**	**-**	**13.4**	**1,919.2**
Profit for the year	-	-	323.4	-	-	323.4
Other comprehensive expense	-	-	(4.2)	-	-	(4.2)
Total comprehensive income	-	-	319.2	-	-	319.2
Transfer from investments	-	-	-	(4.5)	-	(4.5)
Balance at 30 June 2019	**30.0**	**90.8**	**2,104.2**	**(4.5)**	**13.4**	**2,233.9**
Profit for the year	-	-	317.7	-	-	317.7
Other comprehensive expense	-	-	(9.6)	-	-	(9.6)
Total comprehensive income	-	-	308.1	-	-	308.1
Balance at 30 June 2020	**30.0**	**90.8**	**2,412.3**	**(4.5)**	**13.4**	**2,542.0**

Notes to the financial statements

1 General Information

Arqiva Limited ("the Company") is a private Company limited by shares and incorporated in England, United Kingdom ("UK") under the Companies Act under registration number 02487597. The address of the registered office is Crawley Court, Winchester, Hampshire, SO21 2QA.

The nature of the Company's operations and its principal activities are set out in the Strategic report on page 6.

2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention other than where set out in the accounting policies, and in accordance with the Companies Act 2006. The Group's consolidated financial statements are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006.

The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

EU-adopted IFRS	**Relevant disclosure exemptions**
IAS 1 *Presentation of financial statements*	The requirements of paragraph 38; comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, plant and equipment (iii) paragraph 118(e) of IAS 38 Intangible assets.
IAS 1 *Presentation of financial statements*	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to136.
IAS 7 *Statement of Cash Flows*	All disclosure requirements.
IAS 8 *Accounting policies, changes in accounting estimates and errors*	The requirements of paragraphs 30 and 31.
IAS 24 *Related Party Disclosures*	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel.
IAS 36 *Impairment of Assets*	The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e).
IFRS 13 *Fair Value Measurement*	The requirements of paragraphs 91 to 99.
IFRS 15 *Revenue from Contracts with Customers*	The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129.
IFRS 7 *Financial Instruments: Disclosures*	All disclosure requirements.

3 Adoption of new and revised Standards

New and revised Standards

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

Adjustments recognised on adoption of IFRS 16

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

	1 July 2019 £m
Right-of-use assets	213.9
Trade & other receivables	(14.7)
Trade & other payables	0.5
Lease liabilities	(199.7)

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

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

	1 July 2019 £m
Operating lease commitments disclosed at 30 June 2019	174.7
Impact of in-substance fixed payments included in lease liability	16.5
Adjustments as a result of different treatment of extension and termination options	66.0
Finance lease liabilities at 30 June 2019	12.4
Discounted using the lessee's incremental borrowing rate at the date of initial application	(57.4)
Lease liability recognised as at 1 July 2019	**212.2**
Of which are:	
Current lease liabilities	34.6
Non-current lease liabilities	177.6
	212.2

Practical expedients taken

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

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

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

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

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

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

4 Principal accounting policies

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

Exemption from consolidation

The Company is a wholly owned subsidiary of Arqiva Holdings Limited and of its ultimate parent, Arqiva Group Limited ('AGL'). It is included in the consolidated financial statements of AGL which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate individual Company financial statements.

Going concern

The Company adopts the going concern basis in preparing its financial statements based upon the support from its ultimate parent undertaking and the future profit, cash flows and available resources of the Company which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

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

Revenue recognition

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

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

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

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

The following summarises the performance obligations we have identified and provides information on the timing of when they are satisfied and the related revenue recognition policy.

Rendering of services

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

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

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

Delivery of engineering projects

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

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

Sale of communications equipment

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

Leases

The Company as lessor

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

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

The Company as lessee

When the Company enters into a lease a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any future lease payments due at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease. Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options.

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

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

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

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

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

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

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

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

Foreign currency translation

The financial statements of the Company are presented in 'Pounds Sterling' (£), which is also the entity's functional currency. Foreign currency transactions are translated into the functional currency using the rate of exchange prevailing on the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the re-translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Retirement benefits

The Company operates various post-employment schemes, including both defined benefit and defined contribution plans.

Defined contribution schemes

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

Defined benefit schemes

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost (which includes costs directly attributable to bringing the assets into working condition), less accumulated depreciation and any provision for impairment. Or, where this is not considered to be the fair value of the assets acquired, an allocated fair value is calculated using alternative valuation methods.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour.

The Company manages all assets under construction on behalf of the Group. These assets are not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group. Upon completion, such assets are transferred to other Group companies where appropriate.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised where assets take a significant period of time to become ready for use.

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

Asset Description	Estimated Useful Life
Freehold buildings	20 - 80 years
Leasehold land and buildings	Length of lease (typically between 20-80 years)
Plant and equipment	3 – 80 years

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

Freehold land is not depreciated.

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

Intangible assets

Recognition and measurement

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

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

Acquired goodwill

The amount initially recognised for acquired goodwill is the historic purchase cost incurred or deemed cost. Subsequently the acquired goodwill is reported at cost less accumulated impairment losses, on the same basis as other intangible assets acquired separately stated at original purchase cost less any provision for impairment. Goodwill is considered to have an indefinite useful life.

De-recognition of intangible assets

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

Impairment of non-financial assets

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

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are shown at cost less provision for impairment.

Provisions

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

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

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

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

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

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed or equipment sold in the ordinary course of business. These balances do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Impairment of irrecoverable amounts is based on an expected credit loss model.

Trade and other payables

Trade and other payables are obligations to pay for goods or services acquired in the ordinary course of business from suppliers. They are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits, finance leases and intercompany balances respectively, plus any unwinding of discount on provisions.

Exceptional items

Exceptional items are those that are considered to be one-off, non-recurring in nature or so material that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance. Underlying performance is the reported performance excluding significant one-off and non-recurring events that more fairly represents the on-going trading performance of the business. These items are presented separately on the face of the Income Statement.

Discontinued operations

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

5 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

Revenue recognition

Critical accounting judgements:

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

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

The aforementioned judgements are consistently applied across similar contracts.

Key estimations:

In applying the Company's revenue recognition policy, as set out in note 4, estimations are made in respect of certain areas including:

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

Key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase. See note 6 for the total engineering revenue. The impact of a change in estimate related to engineering projects is considered to not be material.

Useful lives for property, plant and equipment and intangibles

Key estimations:

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

Management monitor and assess the appropriateness of useful economic lives, such lives may also be impacted by external market changes. In the event that such a change were to result in a revision of useful economic lives this could result in a change to the annual depreciation charge going forwards. In the theoretical scenario whereby medium and long term useful economic lives of property, plant and equipment were to be reduced by one year the estimated impact on the depreciation charge for the year is approximately £16.0m (2019: approximately £17.9m), with a reduction in depreciation in later years.

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

The carrying values of intangibles are disclosed in note 14, and those for property, plant and equipment are disclosed in note 15.

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 23, the Company's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

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

Key estimations:

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

The decommissioning provisions are reviewed annually and are calculated based upon expected costs and past costs incurred on similar sites as determined by site and project management, as well as assessments made by internal experts (see note 23).

Management have estimated the impact of reducing the decommissioning timetable by one year to be £0.1m (2019: £0.1m) in relation to the unwinding of provision discounting or, if all site decommissioning was recognised in line with potential earlier expiration dates, a sensitivity of up to £6-8m. Such movement in any one financial year is therefore not considered likely.

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

Impairment of goodwill

Critical accounting judgements:

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

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

Key estimations:

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

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

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

The carrying amount of goodwill at the statement of financial position date is disclosed in note 13.

6 Revenue

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

The following revenue was generated by the Company:

Year ended 30 June 2020	Total continuing operations £m	Total discontinued operations[1] £m	Total £m
Rendering of services	526.2	62.5	588.7
Engineering projects	45.1	6.9	52.0
Sale of goods	12.1	-	12.1
Revenue	**583.4**	**69.4**	**652.8**

Year ended 30 June 2019	Total continuing operations £m	Total discontinued operations[1] £m	Total £m
Rendering of services	542.9	107.9	650.8
Engineering projects	51.2	7.2	58.4
Sale of goods	8.6	-	8.6
Revenue	**602.7**	**115.1**	**717.8**

All revenue relates to sales originating in the UK.

Contract assets and liabilities

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

	30 June 2020 £m	30 June 2019 £m
Contract assets		
Current	14.0	18.0
Contract liabilities		
Current	73.4	120.7
Non-current	184.0	190.7
	257.4	**311.4**

£156.8m of the contract liability recognised at 30 June 2020 was recognised as revenue during the year (2019: £152.3m). Impairment losses of £0.1m were recognised on contract assets during the year (2019: £0.1m). Other than business-as-usual movements there were no significant changes in contract asset and liability balances during the year.

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a contract. This is presented within other receivables in the balance sheet and totalled £2.0m (2019: £2.3m). Amortisation recognised as a cost of providing services during the year were £0.2m (2019: £0.2m).

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

7 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Wages and salaries	107.3	120.6
Social security costs	11.7	12.3
Other pension costs	8.3	9.8
Employee costs	**127.3**	**142.7**
Own work capitalised	(39.3)	(42.1)
Income statement expense	**88.0**	**100.6**
Operating lease rentals	-	29.3
Depreciation of property, plant and equipment	173.4	138.7
Amortisation of intangible assets	10.2	15.5
Impairment of investments	-	1.5
Impairment of amounts receivable from other Group entities	-	7.7
Management recharge to fellow Group company	(30.4)	(31.9)

The Company has levied a management recharge, in respect of various staff costs and central facilities and support costs, to other trading entities within the Group. The management recharge to the Group companies is included within the Income Statement.

Services provided by the Company's Auditors and network firms

The Company's audit fee for the year was £89,660 (2019: £82,000). Fees paid to the Company's Auditors for services other than the statutory audit of the Company totalled £269,000 (2019; £495,000), comprised of £96,000 (2019: £80,000) for other audit services, £nil (2019: £33,000) relating to taxation services and £173,000 (2019: £382,000) for other assurance services.

8 Exceptional operating items

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

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

	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	**Year ended 30 June 2020 Total £m**	Year ended 30 June 2019 Continuing operations £m	Year ended 30 June 2019 Discontinued operations £m	**Year ended 30 June 2019 Total £m**
Operating expenses:						
Reorganisation and severance	6.6	-	6.6	12.8	0.6	13.4
Corporate finance activities	0.8	19.2	20.0	-	0.8	0.8
Profit on disposal of assets	-	-	-	(3.9)	-	(3.9)
Total exceptional items	**7.4**	**19.2**	**26.6**	**8.9**	**1.4**	**10.3**

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

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

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

9 Employees and Directors

Employees

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

	Year ended 30 June 2020 Number	Year ended 30 June 2019 Number
Media Networks	1,009	1,141
Telecoms & M2M	395	428
Corporate	435	418
Total employees	**1,839**	**1,987**

Directors

The aggregate of the amounts paid to Directors in respect of their services as a Director of the Company are set out below:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Aggregate remuneration	2.7	2.7
Amounts due under long term incentive plans - accrued	0.7	0.9
Amounts due under long term incentive plans - reversed	(2.7)	-
Amounts due under long term incentive plans - total	(2.0)	0.9
Termination benefits	2.1	0.6
Total remuneration	**2.8**	**4.2**

Certain Directors were representatives of the ultimate parent company's shareholders and their individual remuneration reflects the services they provide to the Company and other Group companies.

Highest paid Director

Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Aggregate remuneration	1.4	1.8
Amounts due under long term incentive plans - reversed	(1.3)	-
Total remuneration	**0.1**	**1.8**

10 Finance income

	Year ended 30 June 2020 Continuing operations £m	Year ended 30 June 2020 Discontinued operations £m	**Year ended 30 June 2020 Total £m**	Year ended 30 June 2019 Continuing operations £m	Year ended 30 June 2019 Discontinued operations £m	**Year ended 30 June 2019 Total £m**
Bank deposits	0.3	-	0.3	0.3	-	0.3
Interest receivable from Group companies	231.8	0.1	231.9	188.8	-	188.8
Other loans and receivables	1.5	-	1.5	1.8	-	1.8
Total finance income	233.6	0.1	**233.7**	190.9	-	**190.9**

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

11 Finance costs

	Year ended 30 June 2020 £m	**Year ended 30 June 2019 £m**
Bank charges	0.2	0.1
Other loan interest payable	8.7	8.4
Interest on lease obligations (2019: Interest on obligations under finance leases)	13.5	0.9
Total interest expense	**22.4**	**9.4**
Unwinding of discount on provisions (see note 23)	4.3	2.6
Total finance costs	**26.7**	**12.0**

12 Tax

	Year ended 30 June 2020 £m	**Year ended 30 June 2019 £m**
Current tax:		
UK corporation tax		
- Current year	102.6	59.7
- Prior period adjustment	(5.0)	12.3
	97.6	**72.0**
Deferred tax:		
Origination and reversal of timing differences	(25.9)	17.8
Impact of change in tax rates	(5.2)	-
Prior period adjustment	4.0	(13.7)
	(27.1)	**4.1**
Tax charge for the year	**70.5**	**76.1**

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

The charge for the year can be reconciled to the profit in the income statement as follows.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit before tax	388.2	399.5
Tax at the UK Corporation tax rate of 19.0% (2019: 19.0%)	73.8	75.9
Tax effect of expenses not deductible for tax purposes	2.9	2.7
Impact of change in tax rates	(5.2)	(1.1)
Prior period adjustment	(1.0)	(1.4)
Total tax charge for the year	**70.5**	**76.1**
Income tax expense is attributable to:		
Profit from continuing operations	67.5	69.8
Profit from discontinued operations	3.0	6.3
Total tax charge for the year	70.5	**76.1**

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

Due to the impact to the group from changing tax legislation, the decision was made with effect from 1 July 2017 to pay for group relief. The current year UK corporation tax charge represents the payment made to other Group companies for the provision of tax losses by way of group relief.

Tax in Statement of Comprehensive Income

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

13 Goodwill

	£m
At 30 June 2019 and 30 June 2020	**43.5**
Carrying amount:	
At 30 June 2020	**43.5**
At 30 June 2019	43.5

14 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2019	12.5	19.1	7.0	99.8	138.4
Additions	0.1	1.6	-	0.4	2.1
Transfers from AUC (note 14)	0.8	1.0	-	6.7	8.5
Adjustment to categorisation	0.7	(1.8)	-	1.1	-
Disposals	(2.7)	(1.0)	-	-	(3.7)
At 30 June 2020	**11.4**	**18.9**	**7.0**	**108.0**	**145.3**
Accumulated amortisation and impairment					
At 1 July 2019	5.2	8.4	7.0	71.5	92.1
Amortisation	1.6	1.6	-	7.0	10.2
Disposals	(1.6)	(1.0)	-	-	(2.6)
At 30 June 2020	**5.2**	**9.0**	**7.0**	**78.5**	**99.7**
Carrying amount					
At 30 June 2020	**6.2**	**9.9**	**-**	**29.5**	**45.6**
At 30 June 2019	7.3	10.7	-	28.3	46.3

Development costs in respect of products and services that are being developed by the Company are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched. Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

15 Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2019	168.2	91.8	1,628.4	96.1	1,984.5
Recognition of right-of-use asset on initial application of IFRS 16 (note 2)	-	155.4	58.5	-	213.9
Adjusted balance at 1 July 2019	168.2	247.2	1,686.9	96.1	2,198.4
Additions	32.6	35.2	160.2	105.6	333.6
Completion of AUC	3.7	1.8	75.4	(80.9)	-
Transfers to other intangibles (note 13)	-	-	-	(8.5)	(8.5)
Transfers to/from Group companies	-	-	-	(0.6)	(0.6)
Disposals	(19.8)	(141.7)	(150.6)	(8.5)	(320.6)
At 30 June 2020	**184.7**	**142.5**	**1,771.9**	**103.2**	**2,202.3**
Accumulated depreciation and impairment					
At 1 July 2019	32.3	48.5	795.1	-	875.9
Depreciation	3.0	17.3	153.1	-	173.4
Disposals	(6.5)	(16.1)	(91.2)	-	(113.8)
At 30 June 2020	**28.8**	**49.7**	**857.0**	**-**	**935.5**
Carrying amount					
At 30 June 2020	**155.9**	**92.8**	**914.9**	**103.2**	**1,266.8**
At 30 June 2019	135.9	43.3	833.3	96.1	1,108.6

Freehold land included above but not depreciated amounts to £69.9m (2019: £79.4m).

The Company's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 28). In addition, the Company's obligations under finance leases (see note 20) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.9m (2019: £5.2m).

The carrying value of capitalised interest included within property, plant and equipment was £17.3m (2019: £13.0m).

At 30 June 2020, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £13.4m (2019: £26.4m) – see note 28 for further details.

16 Investments

	Investments in subsidiaries £m
Cost	
At 1 July 2018	105.9
Transfer to other reserve	(4.5)
At 30 June 2019	101.4
Additions	21.1
At 30 June 2020	**122.5**
Provision for impairment	
At 1 July 2018	33.5
Impairment	1.5
At 30 June 2019	35.0
Impairment	-
At 30 June 2020	**35.0**
Net book value	
At 30 June 2020	**87.5**
At 30 June 2019	66.4

The Directors consider the carrying value of the Company's investments in its subsidiaries and joint ventures on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

The addition of £21.1m in the current year relates to an investment in Arqiva Mobile TV Limited, which is now a subsidiary of Arqiva Limited following a restructure of the Arqiva Group in May 2020.

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100% (held directly)
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100% (held directly)
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100% (held directly)
Arqiva Limited	Ireland	Transmission services	30-Jun	100% (held directly)
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100% (held directly)
Arqiva SAS	France	Satellite transmission services	30-Jun	100% (held directly)
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100% (held directly)
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100% (held directly) (acquired 26 May 2020)
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100% (held directly) (acquired 26 May 2020)
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100% (held directly) (acquired 26 May 2020)
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100% (acquired 26 May 2020)
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100% (acquired 26 May 2020)
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100% (held directly) (acquired 26 May 2020)
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100% (acquired 26 May 2020)
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100% (acquired26 May 2020)
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100% (held directly) (acquired 26 May 2020)
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100% (held directly) (acquired 26 May 2020)
Capablue Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Selective Media Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100% (held directly)
Joint ventures				
YouView TV Limited	United Kingdom	Open source IPTV development	31-Mar	14.30%
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	31-Dec	40.0%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.
Joint ventures	
YouView TV Limited	10 Lower Thames Street, Third Floor, London, EC3R 6YT
Sound Digital Limited	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA

17 Trade and other receivables

	30 June 2020 £m	30 June 2019 £m
Trade receivables	61.4	84.5
Amounts receivable from other Group entities	2,804.3	2,275.6
Other receivables	5.3	4.4
Prepayments	24.0	32.9
Total trade and other receivables	**2,895.0**	**2,397.4**
Contract assets – accrued income	**14.0**	**18.0**

Amounts receivable from other Group entities are unsecured and repayable on demand. Interest has been charged on £2,678.6m at 9.5% (2019: £2,272.5m at 9.5%) in relation to structured loan balances, and £125.7m at 0% (2019: £3.1m at 0%) in relation to trading and working capital loan balances.

Amounts receivable from other Group entities are stated after deducting allowances for impairment of £7.7m (2019: £7.7m).

Trade receivables are stated after provisions for credit loss of £4.5m (2019: £5.7m). Contract assets are stated after provisions for impairment of £0.1m (2019: £0.1m).

18 Cash and cash equivalents

	30 June 2020 £m	30 June 2019 £m
Cash at bank	44.7	4.3
Total cash and cash equivalents	**44.7**	**4.3**

19 Trade and other payables

	30 June 2020 £m	30 June 2019 £m
Current:		
Trade payables	40.0	47.3
Amounts payable to other Group entities	1,344.8	995.8
Taxation and social security costs	52.7	20.3
Other payables	5.0	4.8
Accruals	58.9	71.3
Total current trade and other payables	**1,501.4**	**1,139.5**
Contract Liabilities – deferred income	**73.4**	**120.7**
Non-current		
Contract Liabilities – deferred income	**184.0**	**190.7**

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

20 Borrowings

	30 June 2020 £m	30 June 2019 £m
Within current liabilities:		
Lease liabilities (2019: Finance lease obligations) (see note 21)	17.4	0.8
Borrowings due within one year	**17.4**	**0.8**
Within non-current liabilities:		
Loans from other Group entities	5.3	5.3
Lease liabilities (2019: Finance lease obligations) (see note 21)	86.4	11.6
Borrowings due after more than one year	**91.7**	**16.9**

All borrowings are sterling denominated.

Loans from other Group entities are unsecured, interest free and repayable in more than five years.

21 Leases

Leases as lessee (IFRS 16)

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

Right-of-use assets

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

	Leasehold buildings £m	Plant and equipment £m	Total £m
Balance at 1 July 2019	160.4	58.5	218.9
Depreciation charge for the year	(12.5)	(13.1)	(25.6)
Additions to right-of-use assets	29.7	-	29.7
Effect of modification to lease terms	(2.3)	(13.9)	(16.2)
Derecognition of right-of-use assets	(107.9)	-	(107.9)
Balance at 30 June 2020	**67.4**	**31.5**	**98.9**

Amounts recognised in the Income Statement

Leases under IFRS 16	**Year ended 30 June 2020 £m**
Expense relating to variable lease payments not included in the measurement of lease liabilities	1.9
Interest on lease liabilities	12.3

Operating leases under IAS17	Year ended 30 June 2019
	£m
Lease expense	29.3

The Company's lease liabilities are disclosed in note 20 Borrowings. The total cash outflow for leases in the year ended 30 June 2020 was £36.6m.

22 Disposal group held for sale and discontinued operations

On 8 October 2019, management committed to a plan for the sale of the Group's telecoms infrastructure and related assets at an enterprise value of £2.0bn. Accordingly, the telecoms business is presented as a disposal group held for sale. The process for selling the disposal group completed on 8 July 2020.

The Telecoms business was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss has been represented to show the discontinued operation separately from continuing operations.

The results of the discontinued operations for both year ended 30 June 2019 and 30 June 2020 are disclosed in the Income Statement.

There were no assets or liabilities for the Company which were classified as held -for-sale as at 30 June 2019 or 30 June 2020.

23 Provisions

	Decommissioning	Restructuring	Remediation and maintenance	Other	Total
	£m	£m	£m	£m	£m
At 1 July 2019	**40.9**	**3.9**	**4.6**	**2.7**	**52.1**
Addition created through property, plant and equipment	12.8	-	-	-	12.8
Income Statement expense	28.4	0.4	-	4.0	32.8
Unwind of discount	3.8	-	0.3	-	4.1
Utilised	(0.1)	(3.2)	(0.2)	-	(3.5)
Released to Income Statement	(15.3)	-	(0.7)	(1.5)	(17.5)
At 30 June 2020	**70.5**	**1.1**	**4.0**	**5.2**	**80.8**

Provisions are analysed between current and non-current based on expected utilisation as follows:

	30 June 2020	30 June 2019
	£m	£m
Analysed as:		
Current	2.5	4.7
Non-current	78.3	47.4
	80.8	**52.1**

Provisions are made for decommissioning costs where the Company has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision is in relation to assets of which the remaining useful economic life ranges up to 18 years.

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

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

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

24 Deferred tax

The balance of deferred tax recognised at 30 June 2020 is £77.5m (2019: £48.1m). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Fixed assets temporary differences	Other temporary differences	Total
	£m	£m	£m
At 1 July 2018	45.9	8.9	54.8
(Charged) / credited to the Income Statement	(3.4)	0.4	(3.0)
At 30 June 2019	**42.5**	**9.3**	**51.8**
Credited to the Income Statement	26.6	2.1	28.7
At 30 June 2020	**69.1**	**11.4**	**80.5**

Deferred tax liabilities	Pension	Total
	£m	£m
At 1 July 2018	3.5	3.5
Charged to the Income Statement	1.1	1.1
Credited to the statement of comprehensive income	(0.9)	(0.9)
At 30 June 2019	**3.7**	**3.7**
Charged to the Income Statement	1.6	1.6
Credited to the statement of comprehensive income	(2.3)	(2.3)
At 30 June 2020	**3.0**	**3.0**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised.

Deferred tax has been measured at the UK corporation tax rate of 19% (2019: 17%); the rate substantively enacted at the balance sheet date at which the deferred tax is expected to reverse. The anticipated reduction of the tax rate to 17% with effect from 1 April 2020 was cancelled by legislation substantively enacted in March 2020. The impact of this rate change on the income statement is shown in Note 12.

No deferred tax liability is recognised on temporary differences of £nil (2019: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

25 Retirement Benefits

Defined contribution scheme

Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £8.5m (2019: £10.0m). The assets of the Scheme are held outside of the Group.

An amount of £1.2m (2019: £1.3m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan

In the year to 30 June 2020, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 18 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out as at 30 June 2017 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the latest triennial valuation figures. The triennial valuation as at 30 June 2020 has commenced but is not expected to be completed until 2021.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2020	30 June 2019
Key assumptions		
Discount rate	1.50%	2.40%
Price inflation (RPI)	2.80%	3.20%
Life expectancy of a male / female age 60 (current pensioner)	26.2yrs / 28.3yrs	26.0yrs / 28.1yrs
Life expectancy of a male / female age 60 (future pensioner)	27.7yrs / 29.9yrs	27.6yrs / 29.7yrs
Other linked assumptions		
Price inflation (CPI)	2.00%	2.10%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.50%	3.70%
Pension increases (RPI with a maximum of 10%)	2.80%	3.20%
Salary growth	n/a	n/a

Amounts recognised in the Income Statement in respect of the defined benefit plan were as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Components of defined benefit costs recognised in profit or loss	(0.6)	(0.6)
	(0.6)	**(0.6)**

The net interest item above has been included within finance income (see note 10). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Return on Plan assets excluding Interest Income	18.9	20.2
Experience gains arising on the Plan's liabilities	2.2	0.2
Actuarial losses arising from changes in financial assumptions	(32.2)	(24.8)
Actuarial losses arising from changes in demographic assumptions	(0.8)	(0.7)
	(11.9)	**(5.1)**

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

	30 June 2020 £m	30 June 2019 £m
Fair value of Plan assets	282.9	259.4
Present value of defined benefit Plan liabilities	(266.8)	(237.4)
Surplus at 30 June	**16.1**	**22.0**

The Company have considered the impact of IFRIC14 and in line with the Plan's Rules, the Company is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Surplus at 1 July	22.0	20.6
Amount recognised in expense	0.6	0.6
Amount recognised in Other Comprehensive Income	(11.9)	(5.1)
Company contributions	5.4	5.9
Surplus at 30 June	**16.1**	**22.0**

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
1 July	(237.4)	(218.4)
Contributions by employees	(0.4)	(0.9)
Interest cost	(5.6)	(5.9)
Benefits paid	7.4	13.1
Experience gains arising on the Plan's liabilities	2.2	0.2
Actuarial losses arising from changes in financial assumptions	(32.2)	(24.8)
Actuarial losses arising from changes in demographic assumptions	(0.8)	(0.7)
30 June	**(266.8)**	**(237.4)**

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
1 July	259.4	239.0
Interest income	6.2	6.5
Return on Plan assets excluding interest income	18.9	20.2
Contributions by employer	5.4	5.9
Contributions by employees	0.4	0.9
Benefits paid	(7.4)	(13.1)
30 June	**282.9**	**259.4**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2020 £m	30 June 2019 £m
Equity instruments	75.8	92.1
Diversified growth funds	19.8	19.4
Corporate bonds	73.8	19.7
Multi asset credit	18.1	
Government bonds	94.9	127.7
Cash and equivalents	0.5	0.5
Total	**282.9**	**259.4**

All of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the funding valuation as at 30 June 2017, Arqiva Limited agreed to pay deficit contributions of £3.4m in October 2018, £5.4m in July 2019, with a further £5.4m due by 31 July 2020. It is anticipated that a revised Schedule of Contributions will be agreed between the Trustees and the Company as part of the triennial actuarial valuation as currently being undertaken as at 30 June 2020.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2020 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
Increase in Plan liabilities	£5.9m	£5.9m	£9.2m

The sensitivity of the 2019 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
Increase in Plan liabilities	£5.0m	£3.5m	£7.8m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

26 Share capital

	30 June 2020 £m	30 June 2019 £m
Authorised, allotted and fully paid:		
30,000,201 (2019: 30,000,201) ordinary shares of £1 each (2019: £1 each)	**30.0**	**30.0**

27 Share premium account

	£m
At 30 June 2019 and 30 June 2020	**90.8**

28 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	30 June 2020 £m	30 June 2019 £m
Less than one year	13.0	25.7
Within one to five years	0.4	0.7
Total	**13.4**	**26.4**

Operating leases

Future minimum operating lease payments for the Company in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2020 £m	30 June 2019 £m
Less than one year	-	36.1
Within one to five years	-	98.3
After five years	-	40.3
Total future minimum operating lease payments	**-**	**174.7**

Other annual lease commitments in relation to transmission activities fall due as follows:

	30 June 2020 £m	30 June 2019 £m
Less than one year	-	1.2
Within one to five years	-	1.8
Total future minimum operating lease payments	**-**	**3.0**

29 Related party transactions

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly owned by another Group entity and key management personnel.

30 Events after the reporting period

On 8 July 2020, the Arqiva Group Limited group successfully completed the sale of its Telecoms business to Cellnex in a circa £2.0bn deal. None of the proceeds of the sale were received by Arqiva Limited. The transaction comprises the divestment of c.7,400 of Arqiva's cellular sites, including masts and towers as well as urban rooftop sites, and the right to market a further c.900 sites across the UK. In a restructure of the Group ahead of the execution of the agreement, Arqiva Limited acquired 11 subsidiaries from Arqiva Services Limited, as detailed in note 16.

The Group sold six subsidiaries as part of the execution of the sale, the largest being Arqiva Services Limited.

Proceeds from the transaction were received on 8 July 2020, at the point of legal completion of the sale.

The proceeds have been utilised to repay debt and related swap derivatives in parent companies of Arqiva Limited.

31 Controlling parties

The Company's immediate parent undertaking is Arqiva Holdings Limited ('AHL'). The ultimate parent undertaking is AGL, which is the parent undertaking of the largest group to consolidate these financial statements. The parent of the smallest group to consolidate these financial statements is AHL.

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

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