# Arqiva Group Parent Limited

**Registered number 08085794**

## Condensed Consolidated Interim Financial Statements

**For the six months ended 31 December 2022**

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# Interim financial report

The Directors of Arqiva Group Parent Limited ('AGPL'), registered company number 08085794, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2022.

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

The risks and uncertainties referred to above include:

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

**Business overview**

Arqiva is the UK's leading enabler of digital connected solutions across the Media Distribution and Utilities markets. It generates predictable earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts. The Group had a contracted orderbook of £3.3bn as at 30 June 2022.

**Recent developments since 30 June 2022**

**Media Distribution**

**Government (DCMS[1]) updates**

In June 2022 the 'Broadcast 2040+' campaign was launched by a coalition of organisations including Arqiva, with the aim of securing a long-term commitment from the Government to the future of broadcast services. The campaign provides a channel for supporting organisations to collaborate on policy developments.

The campaign has attracted media coverage and engagement from members of parliament. In December 2022, the coalition released an open letter to the Culture Secretary urging the Government to protect broadcast services alongside the results of new polling evidencing the importance of broadcast services to voters across 12 parliamentary constituencies. The polling's findings have been covered in national, regional, and trade media outlets. Two MPs have asked the Minister of State for Media, Data, and Digital Infrastructure to confirm the action Government is taking to secure broadcast services for the long-term. In addition, coalition member Silver Voices has launched a parliamentary petition calling on the Government to protect broadcasting beyond 2040.

**DTT[2] Multiplexes**
Following new launches for Earth X and Quest +1 in the first 3 months of the period, the platform was fully utilised in the second three months to 31 December 2022. Looking forwards, negotiations are underway with a new channel entrant to replace a service that is leaving the platform in Q3 of the financial year ending 30 June 2023.

[1] Refers to Department of Culture, Media and Sport
[2] Refers to Digital Terrestrial Televisions

**Radio**
Following the successful auction of the last vacant stream of SDL national multiplex in June 2022 the national muxes remain fully contracted with 2 more service launches expected shortly. The local muxes Arqiva operates has risen to an average 83% occupancy with significant renewal work being carried out with the BBC, Global and Bauer. The DAB platform now delivers over 43% of all radio listening.

The talkSPORT MF network contract has been extended for a significant period with News UK along with multiple other smaller FM network contracts for Global and Bauer. There is a significant amount of activity in the small scale DAB space in terms of signing network access and site share contracts and installing or combining with antennas.

**Direct to Home (DTH)**
Arqiva signed a multi-year contract with a UK Public Service Broadcaster ("PSB"), representing the first DTH deal (including satellite capacity) that has been signed with a PSB. This is in line with Arqiva's strategy of increasing its market share in the UK TV broadcast market. The services are scheduled to launch in FY24.

During the period Arqiva has also signed 2 HD channels launching in November 2023, meaning that Arqiva has successfully secured all 3 HD channels that have launched into market last year, bringing the platform to full utilisation. There is also a strong pipeline of opportunities to fill up capacity which will be created following the multiplex upgrade which is planned for later in the year.

In addition to above channel launches, we have retained our title as No. 1 in the World Teleport Association Independent Top 10 teleport operators list.

**Media Management Products**
Leveraging on its media management expertise, Arqiva launched Arqade, a cloud-based television content exchange product, earlier in 2022. Arqade enables media companies to interchange their content with multiple platforms efficiently across the world through cloud technology. Since its launch, the uptake of the product has continued to grow from Arqiva's existing customer base of tier 1 international broadcasters. There is also a strong pipeline of opportunities with sports rights owners issuing RfPs for global content distribution.

Following the extensive PoC (proof of concept) development with its customer Arqiva has developed Arqplex, a product which provides a secure and reliable content aggregation, encoding, multiplexing and packaging service in a cloud for content distribution. Arqplex helps its customers by increasing flexibility during the transition to the OTT (over-the-top) and reducing the complexity of operating in the cloud. At the IBC conference in September 2022 won the Best in Show award for TVBEurope's Futures category.

**Smart Utilities Networks**

**Regulatory Environment**
The water sector regulator Ofwat has finalised its price review 2024 methodology, which sets out expectations for water companies 2025-2030 business plans. Ofwat outlined that it expects companies to embrace opportunities to improve performance through smart technology, that the regulator will support investment in smart metering and that smart metering is likely to be a part of 'least regret' best value programmes to reduce leakage. Ofwat further outlined that companies should consider smart meters that provide near real time data as the standard meter installation type. Arqiva contributed to the price review 2024 methodology consultation and is taking an active part in consultation processes that will inform water companies final business plans for the next regulated price period, including consultations on company draft water resource management plans.

**Anglian Water**
Since the award of the Anglian Water contract in June 2020, the Group has rolled out over 500,000 meters out of the overall 789,000 targeted by 2025. The pace of network rollout has increased with around 37 new sites scheduled for delivery throughout the financial year and Anglian has recently launched a tender process for two additional regions targeting an overall deployment of 1.1m meters by the end 2025.

**Thames Water**
Since April 2015, Arqiva has delivered a smart metering network for Thames Water and as at 31 December 2022, over 840,000 meters have been installed, with in excess of 20 million meter readings being delivered per day. It is the largest smart water metering network in the UK and has high coverage across the Thames Water London region. Arqiva continues to add a number of network sites outside London, which during the period included Chiddingfold and Guildford, with Dartford currently in design for delivery later this year.

In addition, Thames Water has asked Arqiva to proceed with 11 site installations for Thames Valley to enable a deployment of a further approx. 25,000 meters this year and around 108,000 by 2025. This places us in a strong position for the remainder of the Thames Valley rollout. The increase in meter supply is specifically to support the additional demands of the rollout into Thames Valley.

**Northumbrian Water**
Arqiva has been selected by Northumbrian Water Group to deliver an initial roll-out of a smart metering network in Essex, where it operates as Essex & Suffolk Water. This initial contract of 5 years and 11,000 meters has now been extended to cover over 28,000 meters and for 15 years of service with 2 new sites.

**UK Power Networks**
Arqiva has commenced the BGAN rollout for the UK Power Networks for its network monitoring with over 900 units delivered by the end of December 2022 out of the total orders of 5,000 units.

**SGN Hybrid Connectivity**
The Hybrid Connectivity Proof of Concept (PoC) with SGN has completed following which they have launched their 'Strategic Connectivity' procurement exercise. Arqiva has been awarded the preferred supplier status and will be working with SGN to conclude the contract.

**Other Smart Water Metering Trials**
In the Midlands, Arqiva has been participating in a multi-vendor, multi-technology smart water metering evaluation trial with a major water company. The trials have proven the excellent performance of our technology and managed service. We are extending and expanding the trial for a further 12 months and 1,900 meters, on an exclusive basis, enabling the water company to evaluate fully the benefits and establish a business case for a future full smart metering roll-out. Orders have been received for the trial extension and meters have now been deployed.

A contract was signed with SES Water to assist in evaluating the data produced by our smart metering solution and identifying the resulting operational and financial benefits. This will take the form of a small pilot deployment of circa 400 meters.

**Smart energy metering rollout**
The Group's smart metering communication network in the North of England and Scotland continues to cover 99.5% of premises. There are currently over 2 million communications hubs operating on the network representing 20% of the total UK communication hub installations. We have seen a marked improvement in the supply chain, previously impacted by global component shortages, as evidenced by increased communications hub deliveries in the month of December 2022 and we are monitoring events closely. The DCC continues to submit change requests that reflect new industry requirements and Arqiva maintains a strong pipeline.

**New proof of concepts**
Arqiva has engaged with utility customers and industry suppliers as it seeks to expand its presence in the smart utilities industry. Our customer side Leakage Detection PoC has been well received, we have several further developments and customers involved as this PoC evolves.  Our Sewer Level Monitoring PoC trial has commenced with Anglian Water with 9 sites deployed and with positive initial feedback. The focus is now on working with our suppliers to develop a full production version of the solution for wider adoption.

## Corporate Update

**Bilsdale Tower Fire**
Construction of the permanent replacement mast at our Bilsdale site continues to progress. Calls to the dedicated helpline have reduced to very small numbers (on average five per day in December 2022) as the mitigation measures Arqiva put in place, including a temporary 80m tower, in-fill sites and aerial re-pointing has restored TV services to more than 99% of households in the affected area.

A second stage payment of £10.0m was received from the insurers in September 2022. Whilst the insurers have concluded their investigations, the precise findings have not been publicly shared and we cannot comment on the findings while the claims process is ongoing.

**Britain's Healthiest Workplace**
In December 2022 Arqiva achieved 2nd place in the Britain's Healthiest Workplace (BHW) survey, in the 'large organisations' category (1000+ employees). Colleagues were invited to complete the Britain's Healthiest Workplace health survey, submitting answers on productivity, job satisfaction and risk factors such as smoking. Arqiva's entry also required information on our leadership and culture, and the provision and use of workplace wellness interventions, facilities, and services. Physical activity, nutrition and musculoskeletal health are key areas of focus and we have been supporting these areas through our current strategy over the past three years – delivering programmes such as MyTri, Eat for… and FutureMe MSK, as well as initiatives like the annual step challenge, mini health checks and a broad range of educational workshops.

**Appointment of Executive Director, Media & Broadcast**
On 19 December 2022, the Arqiva announced the appointment of Gaurav Jandwani as Executive Director, Media & Broadcast effective 03 January 2023. Gaurav joins from Telia, where he was Business Head, TV & Streaming and sits on the Arqiva Executive Committee reporting to CEO Shuja Khan.

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

| | Six Months Ended 31 December | | |
|---|---|---|---|
| | 2022 | 2021 (re-presented)[3] | % Change |
| | (Unaudited) £ millions | | |
| ***Revenue*** | | | |
| **Commercial** | | | |
| - Media Distribution | 222.2 | 237.7 | (6.5)% |
| - Smart Utilities Networks[4] | 68.0 | 66.2 | 2.7% |
| **Total Group revenue** | **290.2** | **303.9** | **(4.5)%** |
| ***EBITDA[5]*** | | | |
| **Commercial** | | | |
| - Media Distribution | 176.7 | 172.9 | 2.2% |
| - Smart Utilities Networks | 32.3 | 31.9 | 1.3% |
| **Other** | | | |
| - Corporate | (14.2) | (9.9) | (45.5)% |
| - Operations | (11.4) | (12.2) | 6.6% |
| - Technology and Transformation | (17.8) | (14.7) | (21.1)% |
| **Total EBITDA** | **166.0** | **168.0** | **(1.2)%** |
| **Loss before tax** | **(23.8)** | **(122.4)** | **80.6%** |
| Net cash inflow from operating activities | 125.7 | 177.5 | (29.2)% |
| Net capital expenditure | (35.2) | (40.6) | 13.3% |
| Receipt of insurance stage payment | 10.0 | - | 100.0% |
| **Operating cash flow after capital and financial investment activities** | **100.5** | **136.9** | **(26.6)%** |

**Income Statement**

*Revenue*

For the six month period ended 31 December 2022, revenue for the Group was £290.2m, a decrease of 4.5% from the prior year interim period. All revenue is associated with the commercial function of the business.

Media Distribution

Revenue for the Group's media distribution business during the six month period ended 31 December 2022 was £234.2m, representing a 1.5% decrease from £237.7m in the prior year interim period. This decrease has been driven by the continuing impact of pricing pressures on renewals in the prior year across the Group's DTT and DTH multiplexes and managed media services as well as channel vacancies. However the Group's main (DVB-T) multiplexes have returned to full utilisation during the period. There is also further natural reduction on the 700MHz Clearance programme as expected

[3] Revenue and EBITDA for Group's site share products arising post the sale of the Telecoms business are now reported for the Group within the Smart Utilities Networks due to a change in how they are presented internally. The 31 December 2021 figures have been re-presented to reflect the change in reporting.
[4] For the avoidance of doubt, Smart Metering machine-to-machine financials included in this report refer solely to the AGPL financials.
[5] EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that are not considered to reflect the underlying performance of the business.

as the programme reached completion of revenue in the prior year period. These decreases have been partially offset by increases in core TV distribution products which have remained strong with inflationary increases linked to RPI indexation on these long-term contracts.

£12.3m of exceptional revenue has been recognised being the impact of revenue not recognised as a result of service credits payable in relation to the Bilsdale fire incident. See note 8 of the financial statements for further information.

Smart Utilities Networks

Revenues from utilities have increased 2.7% period on period from £66.2m to £68.0m. The increase is due to the continued ramp up of revenues from water metering contracts in particular, driven by strong communication device sales. There have been further increases in incremental revenues across smart energy metering change requests.

Smart Utilities revenue also includes site share revenues relating to the utilisation of broadcast sites for telecommunications equipment following the sale of the telecoms business to Cellnex. Previously this revenue was included within Media broadcast and has changed to reflect how they are presented internally. Comparative figures for the prior year period have been re-presented to reflect this change in reporting.

*EBITDA*

For the six months ended 31 December 2022, EBITDA (as defined in Note 7) for the total reported Group was £166.0m, a 1.2% decrease from £168.0m in the prior year period.

In the period, a Simplification function has been established to oversee internal change and programme delivery activities following the completion of the transformation programme. Costs for this area are recognised within the Corporate function. With staff moving across to this function from other areas of the business much of these costs were previously recognised elsewhere in the business, predominantly the Commercial and Technology and Transformation segments.

Media Distribution

EBITDA for the Group's Media Distribution business during the six month period ended 31 December 2022 was £176.7m, representing a 2.2% increase from £172.9m in the prior year period. Despite the decrease in revenue including lower fee contract renewals and the completion of the 700MHz clearance programme, the media distribution products have benefitted from a reduction in costs leading to EBITDA increasing period on period. These cost savings include reductions following the end of the COM7 multiplex license and in analogue radio power costs, together with reductions in satellite capacity commitments.

Smart Utilities Networks

EBITDA for the utilities business has increased 1.3% from £31.9m to £32.3m. This increase is driven by the increases in revenues for both the ramp up of water metering contracts and incremental change requests on energy metering contracts. The margin for Smart Utilities is however impacted due to the increase in revenues from device sales which are a relatively lower margin product. This has been partially offset by cost savings in relation to TSAs following the sale of the Telecoms business due to the completion of the TSAs in the prior year period.

Corporate

Corporate EBITDA represents costs for the support functions such as finance, legal and HR services. EBITDA for this function has increased in cost by £4.3m to a loss of £14.2m for the six month period to 31 December 2022 from a loss of £9.9m in the prior year period. This increase in costs has been partly driven by changes in the internal reporting with the new simplification function predominantly due to staff and agency costs in this area. There is also an increase due to insurance costs which were recognised within the Operations function in the comparative period. Insurance costs have also increased from the prior year period.

These cost increases have been partially offset by decreases in bonus expenses due to changes in the bonus structure of the Group.

Operations

The Operations functional segment is responsible for the efficient operation and maintenance of all Arqiva services including field engineers, disaster recovery and network operations. EBITDA for the operations segment has decreased in cost by £0.8m from a loss of £12.2m in the prior year period to a loss of £11.4m in the six months to 31 December 2022. The decrease is predominantly due to a reduction in insurance costs which are now recognised within the Corporate function.

Technology and Transformation

EBITDA for the Technology and Transformation function for the six month period ended 31 December 2022 was a loss of £17.8m, a 21.1% increase in cost from a loss of £14.7m in the prior year period. The increase in cost is mainly due to the nature of projects being worked on resulting in lower capitalisation of overheads in the period. As previously described, this has been partially offset by decreases in staff costs due to headcount moving across to the new Simplification function recognised within the Corporate segment.

*Depreciation*

Depreciation for the Group during the six month period ended 31 December 2022 was £39.1m, a decrease of 46.7% from the prior year period figure of £73.4m. The decrease is driven by a reassessment of the calculation of depreciation in relation to certain capital programmes as well as a reduction in accelerated depreciation from the prior year period not repeated, particularly in connection with assets replaced under the 700MHz Clearance Programme as the programme reaches completion.

*Amortisation*

Amortisation for the Group during the six month period ended 31 December 2022 was £6.6m, an increase of £2.0m from £4.6m in the prior year period. This increase is driven by amortisation on increased software assets held following the IT transformation programme.

*Exceptional operating expenses*

Exceptional operating expenses for the Group during the six month period ended 31 December 2022 were £3.9m, decreased from £13.0m incurred in the prior year period. Exceptional items charged to operating profit in the current period relate to restoration costs arising from the Bilsdale fire and restructuring and severance costs as the Group continues to embed the changes from its transformation programme.

The restoration costs of £2.4m incurred within exceptional operating expenses (31 December 2021: £5.5m) were associated with the Bilsdale transmitter following a fire which broke out on 10 August 2021. Engineers have been working on a recovery plan to reinstate services present on the site. The recovery plan included service recovery with works completed for the improvement of TV coverage from other local not-spot sites, as well as the erection of a temporary mast at the Bilsdale site. To date more than 99% of impacted households have been returned to coverage. Further works to complete the enduring solution and re-build is ongoing with works progressing on the build of a new permanent mast.

Management are still assessing the financial impact of the incident, and have engaged with the Group’s insurers. Whilst the insurers have concluded their investigations, the precise findings have not been publicly shared. At this stage we cannot comment on the findings while the claims process is ongoing. A second stage payment of £10.0m was received from the insurers in September 2022 which has been recognised as exceptional other income in the income statement. This is in addition to the first stage payment of £5m received in June 2022 and recognised in the prior year financial statements bringing the total insurance receipts to date of £15m.

*Net bank and other loan interest*

Net bank and other loan interest for the Group for the six month period was £27.2m compared to £25.5m in the prior year period. This increase was as a result of higher interest charges on inflation linked swap instruments held as well as higher amounts drawn on the working capital facility during the period.

*Other interest*

Other interest for the Group for the six month period was £14.3m, compared to £15.0m in the prior year period. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs, interest on lease obligations and imputed interest on contract liabilities.

*Interest payable to AGL group undertakings*

Interest payable to group undertakings for the six month period was £92.2m, compared to £93.8m in the prior year period. This decrease is due to a reduction in outstanding principal balances held by the Group during the period partially offset by the compounding of outstanding interest balances.

*Other gains and losses*

Other gains and losses include net losses of £8.9m (31 December 2021: £59.8m net loss) recognised as a result of fair value movements of swaps, principally attributable to the increase in forward inflation expectations partially offset by increases in forward interest rates.

*Interest payable to group undertakings references interest payable on outstanding loan balances with entities outside of the AGPL Group but within the ultimate parent group, Arqiva Group Limited (‘AGL’).

### Financial position

As at 31 December 2022 net liabilities for the Group were £653.8m, an increase of 14.4% from £571.5m in the prior year period. The net liability position is primarily driven by the borrowings and derivative financial instruments held by the Group.

### Cash Flow

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

| | Six months ended 31 December 2022 (Unaudited) £m | Six months ended 31 December 2021 (Unaudited) £m |
|---|---|---|
| EBITDA | 166.0 | 168.0 |
| Exceptional items (excluding revenue service credits and other income) | (3.9) | (13.0) |
| Working capital | (35.8) | 24.0 |
| Other | (0.6) | (1.5) |
| **Net cash inflow from operating activities** | **125.7** | **177.5** |

Net cash inflow from operating activities for the six month period ended 31 December 2022 was £125.7m compared to £177.5 for the prior year period, representing a 29.2% decrease. Whilst EBITDA has remained relatively flat year on year, this decrease is primarily driven by movements in working capital.

The Group's business is not seasonal in nature. Annual staff bonus payments are made in the first half of the year. The working capital outflow for the six months to 31 December 2022 was driven by the utilisation and unwind of deferred income and timing of payments, typical with historic trends of the business. The decrease from the working capital inflows in the prior year period is due to a one-off increase in contract liabilities in the prior year due to the recognition of additional deferred income due to upfront cash received in relation to change requests for the Group's smart metering contracts not repeated in the current period.

Net capital expenditure in the six month period ended 31 December 2022 was £35.2m compared with £40.6m in the prior year period. Capital expenditure has decreased due to reductions on major capital programmes contracts including in Smart metering due to an IT refresh cost in the prior year not repeated, 700MHz clearance following completion of major works and transformation in line with programme progression. Maintenance expenditure has also decreased in relation to one off network portfolio costs incurred on new products in the prior year interim period not repeated. These decreases have been partially offset by an increase from £3.5m to £10.4m in relation to capital works in the Bilsdale transmitter site including site improvements and the rebuild of the permanent mast. Expenditure is also impacted by the timing of cash payments made on the settlement of capital expenditure accruals balances.

Operating cash flow after all capital and financial investment activities was £100.5m compared to £136.9m in the prior year period, representing a decrease of 26.6%. This is principally driven by the change in working capital inflows and capital expenditure explained above.

Total cash inflow for the Group has increased to £17.8m in the six month period ended 31 December 2022 (31 December 2021: £180.5m outflow). The change in total cashflow is driven by the reduction in financing activities predominantly driven by the one off payment to the parent company in the prior year interim period for the Junior debt refinancing. This is partially offset by the prepayment of accretion made in relation to the index linked swaps in the current period.

### Operational delivery

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

- The Smart metering M2M contract has continued to achieve 99.5% network coverage in the North of England and Scotland.
- Rollout of water metering on contracts won with Anglian Water, Thames Water and Northumbrian Water. Other smart water metering trials are in progress.

Other Key Performance Indicators (KPIs) for the Group are the level of network availability across both TV and radio infrastructure. The Group's total level of network availability across both TV and radio infrastructure was 99.96% during the six months ended 31 December 2022 (six months ended 31 December 2021: 99.99%).

**Risks and uncertainties**

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30 June 2022, which is available from the Group's website at www.arqiva.com.

**ISO certification and Cyber security**

Arqiva holds certification to ISO/IEC 27001:2013. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. Through independent review and accreditation, supported by internal audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices. Arqiva has held this certification since 2013 and re-certifies every three years with re-certification last given in May 2022.

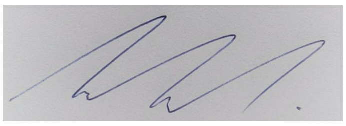
Arqiva also holds Cyber Essentials certification. Cyber Essentials is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since 2016 and recertifies annually.

**Going concern**

Historically the Group has reported losses and has a significant net liability position on the Statement of Financial Position, caused primarily by debt and the related financing costs. However, the Group has continued to generate strong operating cashflows. The Group adopts the going concern basis in preparing these interim financial statements. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and financial covenant compliance and considering the requirements of capital expenditure and debt repayments and including any severe but plausible scenarios. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund our current operations, including our contractual and commercial commitments both in terms of capital programmes and financing. The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

**Future outlook**

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



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20 February 2023

# Consolidated interim income statement

| | Note | Six months ended 31 December 2022 Unaudited £m | Six months ended 31 December 2021 (Restated)** Unaudited £m | Year ended 30 June 2022 (Restated)** £m |
|---|---|---|---|---|
| Revenue* | 7 | 290.2 | 303.9 | 598.2 |
| Cost of sales | | (89.2) | (90.3) | (178.9) |
| **Gross profit** | | **201.0** | **213.6** | **419.3** |
| Depreciation | 15 | (39.1) | (73.4) | (158.4) |
| Amortisation | 14 | (6.6) | (4.6) | (13.2) |
| Impairment of assets | | - | - | (0.5) |
| Other operating expenses | | (48.3) | (45.6) | (89.2) |
| Exceptional operating expenses | 8 | (3.9) | (13.0) | (19.6) |
| Exceptional loss on disposal of assets | 8 | - | (10.0) | (9.5) |
| Total operating expenses | | (97.9) | (146.6) | (290.4) |
| Other income | | 3.9 | 3.8 | 7.7 |
| Exceptional other income | 8 | 10.0 | - | 5.0 |
| **Operating profit** | | **117.0** | **70.8** | **141.6** |
| Finance income | 9 | 1.8 | 0.9 | 1.9 |
| Finance costs | 10 | (133.7) | (134.3) | (264.2) |
| Other gains and losses | 11 | (8.9) | (59.8) | (77.6) |
| **Loss before tax** | | **(23.8)** | **(122.4)** | **(198.3)** |
| Tax | 12 | 2.2 | 24.3 | 37.3 |
| **Loss for the period** | | **(21.6)** | **(98.1)** | **(161.0)** |
| Attributable to: | | | | |
| Owners of the company | | (21.7) | (98.2) | (161.2) |
| Non-controlling interest | | 0.1 | 0.1 | 0.2 |
| | | **(21.6)** | **(98.1)** | **(161.0)** |

All items relate to continuing operations.

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

* Revenue is stated net of exceptional service credits recognised in the period. See note 7 for detail.
** 30 June 2022 figures have been restated to reflect a reclassification between the consolidated income statement and the consolidated statement of changes in equity. 31 December 2021 tax figures are also restated as a consequence of this. See note 12 for detail.

# Consolidated interim statement of comprehensive income

| | Note | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|---|
| **Loss for the period** | | **(21.6)** | **(98.1)** | **(161.0)** |
| **Items that will not be reclassified subsequently to profit or loss** | | | | |
| Actuarial (loss) / gain on defined benefit pension schemes | 27 | (10.1) | 11.7 | 6.7 |
| Movement on deferred tax relating to pension schemes | | 2.5 | (2.9) | (1.7) |
| | | **(7.6)** | **8.8** | **5.0** |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Exchange differences on translation of foreign operations | | - | (0.1) | (0.2) |
| | | **(7.6)** | **8.7** | **4.8** |
| **Total comprehensive loss** | | **(29.2)** | **(89.4)** | **(156.2)** |
| Attributable to: | | | | |
| Owners of the Company | | (29.3) | (89.5) | (156.4) |
| Non-controlling interest | | 0.1 | 0.1 | 0.2 |
| **Total comprehensive loss** | | **(29.2)** | **(89.4)** | **(156.2)** |

All items of other comprehensive income relate to continuing operations.

# Consolidated interim statement of financial position

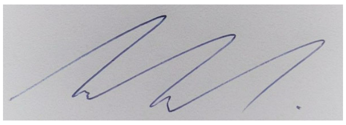
| | Note | 31 December 2022 Unaudited £m | 31 December 2021 (Restated)* Unaudited £m | 30 June 2022 (Restated)* £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 13 | 1,458.0 | 1,458.0 | 1,458.0 |
| Other intangible assets | 14 | 46.0 | 37.2 | 36.4 |
| Property, plant and equipment | 15 | 1,287.8 | 1,349.4 | 1,301.1 |
| Deferred tax | 16 | 189.1 | 177.5 | 188.2 |
| Retirement benefits | 27 | 52.1 | 61.1 | 61.0 |
| Interest in associates and joint ventures | | 0.1 | 0.1 | 0.1 |
| Derivative financial instruments | 21 | 43.2 | 15.1 | 31.9 |
| | | **3.076.3** | **3,098.4** | **3,076.7** |
| **Current assets** | | | | |
| Trade and other receivables | 17 | 250.1 | 241.4 | 226.3 |
| Contract assets | 17 | 15.7 | 17.4 | 13.0 |
| Cash and cash equivalents | 18 | 31.1 | 46.7 | 13.3 |
| | | **296.9** | **305.5** | **252.6** |
| **Total assets** | | **3,373.2** | **3,403.9** | **3,329.3** |
| **Current liabilities** | | | | |
| Trade and other payables | 19 | (1,613.2) | (1,449.5) | (1,499.6) |
| Corporation tax | 19 | (2.4) | (2.4) | (2.4) |
| Contract liabilities | 19 | (114.3) | (103.8) | (101.1) |
| Borrowings | 20 | (205.9) | (88.4) | (103.9) |
| Provisions | 22 | (3.2) | (4.4) | (3.9) |
| | | **(1,939.0)** | **(1,648.5)** | **(1,710.9)** |
| **Net current liabilities** | | **(1,642.1)** | **(1,343.0)** | **(1,458.3)** |
| **Non-current liabilities** | | | | |
| Contract liabilities | 19 | (322.6) | (338.8) | (338.5) |
| Borrowings | 20 | (1,348.3) | (1,502.4) | (1,478.1) |
| Derivative financial instruments | 21 | (331.8) | (400.8) | (345.5) |
| Provisions | 22 | (85.3) | (84.9) | (83.0) |
| | | **(2,088.0)** | **(2,326.9)** | **(2,245.1)** |
| **Total liabilities** | | **(4,027.0)** | **(3,975.4)** | **(3,956.0)** |
| **Net liabilities** | | **(653.8)** | **(571.5)** | **(626.7)** |

*31 December 2021 figures have been restated to reflect restatements as set out in notes 12 and 16..

# Consolidated interim statement of financial position

| | Note | 31 December 2022 Unaudited £m | 31 December 2021 (restated)* Unaudited £m | 30 June 2022 £m |
|---|---|---|---|---|
| **Equity** | | | | |
| Share capital | | 0.1 | 0.1 | 0.1 |
| Accumulated losses | | (893.2) | (797.1) | (863.9) |
| Capital contribution reserve | | 426.8 | 413.1 | 424.7 |
| Merger reserve | | (188.5) | (188.5) | (188.5) |
| Translation reserve | | (0.7) | (0.6) | (0.7) |
| **Equity attributable to owners of the Company** | | **(655.5)** | **(573.0)** | (628.3) |
| Non-controlling interest | | 1.7 | 1.5 | 1.6 |
| **Total equity** | | **(653.8)** | **(571.5)** | **(626.7)** |

These condensed consolidated interim financial statements were approved by the Board of Directors on 20 February 2023 and were signed on its behalf by:



Scott Longhurst – Director

*31 December 2021 figures have been restated to reflect an adjustment to the 2021 tax charge. See note 17 for detail.

# Consolidated statement of changes in equity

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2022** | **0.1** | **424.7** | **(188.5)** | **(863.9)** | **(0.7)** | **(628.3)** | **1.6** | **(626.7)** |
| (Loss) / profit for the period | - | - | - | (21.7) | - | (21.7) | 0.1 | (21.6) |
| Other comprehensive expense | - | - | - | (7.6) | - | (7.6) | - | (7.6) |
| Total comprehensive (expense) / income | - | - | - | (29.3) | - | (29.3) | 0.1 | (29.2) |
| Capital contribution | - | 2.1 | - | - | - | 2.1 | - | 2.1 |
| **Balance at 31 December 2022** | **0.1** | **426.8** | **(188.5)** | **(893.2)** | **(0.7)** | **(655.5)** | **1.7** | **(653.8)** |

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2021 (restated)*** | **0.1** | **391.3** | **(188.5)** | **(707.7)** | **(0.5)** | **(505.3)** | **1.4** | **(503.9)** |
| (Loss) / profit for the period | - | - | - | (98.2) | - | (98.2) | 0.1 | (98.1) |
| Other comprehensive income / (expense) | - | - | - | 8.8 | (0.1) | 8.7 | - | 8.7 |
| Total comprehensive (expense) / income | - | - | - | (89.4) | (0.1) | (89.5) | 0.1 | (89.4) |
| Capital contribution (restated)** | - | 21.8 | - | - | - | 21.8 | - | 21.8 |
| **Balance at 31 December 2021 (restated)*** | **0.1** | **413.1** | **(188.5)** | **(797.1)** | **(0.6)** | **(573.0)** | **1.5** | **(571.5)** |

| | Share capital £m | Capital contribution reserve £m | Merger reserve £m | Accumulated losses £m | Translation reserve £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2021 (restated)*** | **0.1** | **391.3** | **(188.5)** | **(707.7)** | **(0.5)** | **(505.3)** | **1.4** | **(503.9)** |
| (Loss) / profit for the year | - | - | - | (161.2) | - | (161.2) | 0.2 | (161.0) |
| Other comprehensive income / (expense) | **-** | - | - | 5.0 | (0.2) | 4.8 | - | 4.8 |
| Total comprehensive (expense) / income | **-** | - | **-** | **(156.2)** | **(0.2)** | **(156.4)** | **0.2** | **(156.2)** |
| Capital contribution (restated)** | - | 33.4 | - | - | - | 33.4 | - | 33.4 |
| **Balance at 30 June 2022 (restated)**** | **0.1** | **424.7** | **(188.5)** | **(863.9)** | **(0.7)** | **(628.3)** | **1.6** | **(626.7)** |

* 2021 figures have been restated to reflect an adjustment to the 2021 tax charge. See note 16 for detail.
** Capital contributions as at 1 July 2021 and in the periods to 31 December 2021 and 30 June 2022 have been restated to reflect a reclassification between the consolidated income statement and the consolidated statement of changes in equity. Capital contributions increased by £13.0m in the period to 30 June 2021, £12.7m in the period to 31 December 2021 and £16.6m in the period to 30 June 2022. The capital contribution reserves prior to the restatement were £378.3m, £387.4m and £395.1m as at 1 July 2021, 31 December 2021 and 30 June 2022 respectively. See note 12 for detail.

Accumulated losses as at 1 July 2021 and in the periods to 31 December 2021 and 30 June 2022 have been restated due to the reclassification noted above and the recalculation of the deferred and current tax for the period to 31 December 2021 as a consequence of this reclassification. Opening accumulated losses are also restated as a result of disallowed finance expenses under the Corporation Interest Restriction legislation (see note 16 for detail). Accumulated losses prior to the restatements were £636.7m, £733.9m and £834.3m as at 1 July 2021, 31 December 2021 and 30 June 2022 respectively.

# Consolidated interim cash flow statement

| | Note | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|---|
| **Net cash inflow from operating activities** | 23 | **125.7** | **177.5** | **336.2** |
| **Investing activities** | | | | |
| Interest received | | 0.4 | 0.4 | 0.2 |
| Purchase of tangible assets | | (30.0) | (39.8) | (83.9) |
| Purchase of intangible assets | | (6.2) | (0.8) | (4.8) |
| Proceeds on disposal of tangible fixed assets | | 1.0 | - | - |
| Receipt of insurance stage payments | | 10.0 | - | 5.0 |
| **Net cash (outflow) / inflow from investing activities** | | **(24.8)** | **(40.2)** | **(83.5)** |
| **Financing activities** | | | | |
| Raising of external borrowings | | 19.0 | - | 34.0 |
| Repayment of external borrowings | | (37.0) | (26.1) | (56.7) |
| Receipt from / (repayment to) parent undertakings | | 13.0 | (251.1) | (272.2) |
| Movement in borrowings | | (5.0) | (277.2) | **(294.9)** |
| Interest paid | | (29.9) | (25.7) | (51.6) |
| Repayment of capital element of lease rentals | | (11.4) | (10.1) | (22.1) |
| Interest element of lease rentals | | (2.6) | (3.6) | (6.7) |
| Cash settlement of principal accretion on inflation-linked swaps | | (33.9) | - | (90.0) |
| Debt issue costs and facility arrangement fees | | (0.3) | (1.2) | (1.3) |
| **Net cash outflow from financing activities** | | **(83.1)** | **(317.8)** | **(466.6)** |
| **Increase / (decrease) in cash and cash equivalents** | | **17.8** | **(180.5)** | **(213.9)** |
| Cash and cash equivalents at the beginning of the period | | 13.3 | 227.2 | 227.2 |
| Cash and cash equivalents at the end of the period | 18 | **31.1** | **46.7** | **13.3** |

# Notes to the financial statements

## 1 General information

This condensed consolidated interim financial information does not comprise statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2022 were approved by the Board of Directors on 21 September 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2022 can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

## 2 Directors' responsibilities

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

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

## 3 Basis of preparation

These financial statements for the six months ended 31 December 2022 have been prepared in accordance with UK-adopted International Accounting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom.

The accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2022.

## 4 Significant judgements and key estimations

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

In preparing these financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the statutory accounts for the year ended 30 June 2022.

## 5 Financial risk management

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

### Purchase price risk

Energy is a major component of the Group's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is typically managed by forward purchasing the majority of power requirements in excess of 12 months in advance. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.

### Credit risk

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

**Liquidity risk**

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 31 December 2022 the Group had £31.1m cash and short-term deposits available to cover short term cash flow timing differences if required. In addition, the Group has a £135.0m senior working capital facility available for general business purposes as well as an additional £150.0m liquidity facility to cover senior interest and accretion payments if required. As at 31 December 2022 the Group had drawn down £53.0m on the senior working capital facility, all other facilities were undrawn. Details of the debt maturity profile are provided in note 20.

**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. Standard and Poor's and Fitch reconfirmed their rating of Arqiva senior debt at BBB+ and BBB respectively.

The ratings reflect our strong ability to raise cash and repay debt from our cash flows over a reasonable period of time; maintaining an active dialogue with lenders and investors; maintaining debt with a variety of medium and long term maturities to ensure no material concentration of refinancing risk; and aiming to complete any refinancing well in advance of the required maturity date.

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

**Interest rate risk**

The Group maintains a hedging policy to manage interest rate risk, ensuring the certainty of future interest cash flows and compliance with its debt covenants. It currently has hedging in place, split between interest rate swaps and inflation swaps. Interest rate swaps convert interest costs from floating to fixed rate whilst inflation swaps convert fixed or floating rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a proportion of the Group's revenue contracts. Details of the interest rate profile of the Group's borrowings are provided in note 20.

**Foreign exchange risk**

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

# 6 Going concern

Historically the Group has reported losses and has a significant net liability position on the Statement of Financial Position, caused primarily by debt and the related financing costs. However, the Group has continued to generate strong operating cashflows. The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 24.

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

# 7 Revenue and segmental information

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

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

| Six months to 31 December 2022 - Unaudited | Media Distribution £m | Smart Utilities Networks £m | Total £m |
|---|---|---|---|
| Rendering of services | 222.0 | 52.6 | 274.6 |
| Engineering projects | 0.2 | - | 0.2 |
| Sale of goods | - | 15.4 | 15.4 |
| **Total revenue** | **222.2** | **68.0** | **290.2** |

| Six months to 31 December 2021 – Unaudited (re-presented)* | Media Distribution £m | Smart Utilities Networks £m | Total £m |
|---|---|---|---|
| Rendering of services | 235.9 | 52.8 | **288.7** |
| Engineering projects | 1.8 | - | **1.8** |
| Sale of goods | - | 13.4 | **13.4** |
| **Total revenue** | **237.7** | **66.2** | **303.9** |

| Year ended 30 June 2022 | Media Distribution £m | Smart Utilities Networks £m | Total £m |
|---|---|---|---|
| Rendering of services | 464.2 | 106.6 | 570.8 |
| Engineering projects | 2.1 | - | 2.1 |
| Sale of goods | - | 25.3 | 25.3 |
| **Total revenue** | **466.3** | **131.9** | **598.2** |

**Reporting by markets**

The Group's reporting structure considers the customer-facing functions of Media Distribution and Smart Utilities Networks, supported by Operations, Technology and Transformation and Corporate functions. Revenue and EBITDA are presented across these functions.

*Revenue and EBITDA for Group's site share products arising post the sale of the Telecoms business are now reported for the Group within the Smart Utilities Networks due to a change in how they are presented internally. The 31 December 2021 figures have been re-presented to reflect the change in reporting.

| Six months to 31 December 2022 (Unaudited) | Commercial | | Other | | | |
|---|---|---|---|---|---|---|
| | Media Distribution | Smart Utilities Networks | Operations | Technology and Transformation | Corporate | Consolidated |
| | £m | £m | £m | £m | £m | £m |
| **Revenue** | **222.2** | **68.0** | **-** | **-** | **-** | **290.2** |
| **Functional result* (EBITDA)** | **176.7** | **32.3** | **(11.4)** | **(17.8)** | **(14.2)** | **166.0** |
| Depreciation and amortisation | | | | | | (45.7) |
| Loss on disposal of fixed assets | | | | | | (1.0) |
| Exceptional operating expenses | | | | | | (3.9) |
| Other income | | | | | | 3.9 |
| Exceptional other income | | | | | | 10.0 |
| Exceptional revenue | | | | | | (12.3) |
| **Operating profit** | | | | | | **117.0** |
| Finance income | | | | | | 1.8 |
| Finance costs | | | | | | (133.7) |
| Other gains and losses | | | | | | (8.9) |
| **Loss before tax** | | | | | | **(23.8)** |

| Six months to 31 December 2021 (Unaudited) (Re-presented)** | Commercial | | Other | | | |
|---|---|---|---|---|---|---|
| | Media Distribution | Smart Utilities Networks | Operations | Technology and Transformation | Corporate | Consolidated |
| | £m | £m | £m | £m | £m | £m |
| **Revenue** | **237.7** | **66.2** | **-** | **-** | **-** | **303.9** |
| **Functional result* (EBITDA)** | **172.9** | **31.9** | **(12.2)** | **(14.7)** | **(9.9)** | **168.0** |
| Depreciation and amortisation | | | | | | (78.0) |
| Exceptional operating expenses | | | | | | (13.0) |
| Exceptional loss on disposal of assets | | | | | | (10.0) |
| Other income | | | | | | 3.8 |
| **Operating profit** | | | | | | **70.8** |
| Finance income | | | | | | 0.9 |
| Finance costs | | | | | | (134.3) |
| Other gains and losses | | | | | | (59.8) |
| **Loss before tax** | | | | | | **(122.4)** |

**Revenue and EBITDA for Group's site share products arising post the sale of the Telecoms business are now reported for the Group within the Smart Utilities Networks due to a change in how they are presented internally. The 31 December 2021 figures have been re-presented to reflect the change in reporting.

| Year ended 30 June 2022 | Commercial | | Other | | | Consolidated |
|---|---|---|---|---|---|---|
| | Media Distribution | Smart Utilities Networks | Operations | Technology and Transformation | Corporate | |
| | £m | £m | £m | £m | £m | £m |
| **Revenue** | **466.3** | **131.9** | **-** | **-** | **-** | **598.2** |
| **Functional result* (EBITDA)** | **343.0** | **65.4** | **(25.3)** | **(28.5)** | **(14.8)** | **339.8** |
| Depreciation and amortisation | | | | | | (171.6) |
| Loss on disposal of fixed assets | | | | | | (2.1) |
| Exceptional operating expenses | | | | | | (19.6) |
| Exceptional loss on disposal of assets | | | | | | (9.5) |
| Impairment of assets | | | | | | (0.5) |
| Other income | | | | | | 7.7 |
| Exceptional other income | | | | | | 5.0 |
| Exceptional revenue | | | | | | (7.6) |
| **Operating profit** | | | | | | **141.6** |
| Finance income | | | | | | 1.9 |
| Finance costs | | | | | | (264.2) |
| Other gains and losses | | | | | | (77.6) |
| **Loss before tax** | | | | | | **(198.3)** |

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

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

| | Six months to 31 December 2022 Unaudited | Six months to 31 December 2021 Unaudited | Year ended 30 June 2022 |
|---|---|---|---|
| | £m | £m | £m |
| **Operating profit from continuing operations** | **117.0** | **70.8** | **141.6** |
| *Depreciation* | *39.1* | *73.4* | 158.4 |
| *Amortisation* | *6.6* | *4.6* | 13.2 |
| *Impairment of assets* | - | - | 0.5 |
| *Loss on disposal of fixed assets* | *1.0* | - | 2.1 |
| *Exceptional operating expenses* | *3.9* | *13.0* | 19.6 |
| *Exceptional loss on disposal of assets* | - | *10.0* | 9.5 |
| *Other income* | *(3.9)* | *(3.8)* | (7.7) |
| *Exceptional other income* | *(10.0)* | - | (5.0) |
| *Exceptional revenue* | *12.3* | - | 7.6 |
| **EBITDA** | **166.0** | **168.0** | **339.8** |

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

| | Media Distribution | Smart Utilities Networks | Other | **Consolidated** |
|---|---|---|---|---|
| | £m | £m | £m | **£m** |
| **Capital expenditure:** | | | | |
| For the six months ended 31 December 2022 (Unaudited) | 16.1 | 5.0 | 15.1 | **36.2** |
| For the six months ended 31 December 2021 (Unaudited) | 10.3 | 8.2 | 22.1 | **40.6** |
| For the year ended 30 June 2022 | 29.5 | 15.9 | 43.3 | **88.7** |

### Geographical information

The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced. The following revenue was generated from external customers.

| | **Six months to 31 December 2022 Unaudited £m** | **Six months to 31 December 2021 Unaudited £m** | **Year ended 30 June 2022 £m** |
|---|---|---|---|
| UK | 286.9 | 301.1 | 592.6 |
| Rest of European Economic Area (EEA) | 2.9 | 2.7 | 5.1 |
| Rest of World | 0.4 | 0.1 | 0.5 |
| **Total revenue** | **290.2** | **303.9** | **598.2** |

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

| | **31 December 2022** | **31 December 2021** | **30 June 2022** |
|---|---|---|---|
| | **Unaudited** | **Unaudited** | |
| | **£m** | **£m** | **£m** |
| UK | 2,790.0 | 2,842.6 | 2,793.9 |
| Rest of European Economic Area (EEA) | 1.8 | 1.9 | 1.5 |
| Rest of World | - | 0.1 | - |
| **Total non-current assets** | **2,791.8** | **2,844.6** | **2,795.4** |

# 8 Exceptional items

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

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|
| **Revenue:** | | | |
| Revenue service credits | (12.3) | - | (7.6) |
| | (12.3) | - | (7.6) |
| **Operating expenses** | | | |
| Reorganisation and severance | (1.5) | (3.3) | (5.4) |
| Corporate finance activities | - | (4.2) | (4.2) |
| Restoration costs | (2.4) | (5.5) | (10.0) |
| | (3.9) | (13.0) | (19.6) |
| Loss on disposal of fixed assets | - | (10.0) | (9.5) |
| | - | (10.0) | (9.5) |
| **Other exceptional items** | | | |
| Other income | 10.0 | - | 5.0 |
| | **(6.2)** | **(23.0)** | **(31.7)** |

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

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

With the exception of the corporate finance activities, the amounts included within exceptional operating expenses above are deductible for the purpose of taxation.

Bilsdale – Project Restore
The restoration costs relate to costs incurred to reinstate services present at the Bilsdale transmitter site following a fire which broke out on 10 August 2021. Engineers have been working on a recovery plan to reinstate services present on the mast. The recovery plan included service recovery with works completed for the improvement of TV coverage from other local not-spot sites, as well as the erection of a temporary mast at the Bilsdale site. To date around 99% of households have been returned to coverage for TV and commercial radio has benefited from improved coverage from what it was before the fire. Further works to complete the enduring solution and re-build is ongoing with works progressing on the build of a new permanent mast.

Management is still assessing the financial impact of the incident and the assets damaged by the fire, and has engaged with the Group's insurers. Costs recognised are those which have been incurred to date and can be reliably measured. This includes £12.3m being the impact of revenue not recognised as a result of service credits payable in relation to the incident.

See note 24 for further details of contingent liabilities and assets in relation to the Bilsdale fire.

Exceptional other income relates to stage payments received from insurance claims related to the Bilsdale transmitter site fire discussed above. This income is subject to UK corporation tax.

# 9 Finance income

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|
| Bank deposits | 0.4 | - | 0.2 |
| Other loans and interest receivable | 1.4 | 0.9 | 1.7 |
| **Total finance income** | **1.8** | **0.9** | **1.9** |

# 10 Finance costs

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2021 £m |
|---|---|---|---|
| Interest on bank overdrafts and loans | 10.0 | 10.3 | 20.8 |
| Other loan interest | 17.2 | 15.2 | 30.4 |
| Bank and other loan interest | **27.2** | **25.5** | **51.2** |
| | | | |
| Amortisation of debt issue costs | 0.3 | 0.3 | 0.6 |
| Interest on lease obligations | 2.9 | 3.6 | 6.7 |
| Interest payable to other group entities | 92.2 | 93.8 | 180.8 |
| Other interest | 9.1 | 9.2 | 20.7 |
| **Total interest payable** | **131.7** | **132.4** | **260.0** |
| Unwinding of discount on provisions (see note 22) | 2.0 | 1.9 | 4.2 |
| **Total finance costs** | **133.7** | **134.3** | **264.2** |

# 11 Other gains and losses

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|
| Fair value loss on derivative financial instruments (see note 21) | (8.9) | (59.8) | (77.6) |
| **Total other gains and losses** | **(8.9)** | **(59.8)** | **(77.6)** |

# 12 Tax

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited (Restated) £m | Year ended 30 June 2022 (Restated) £m |
|---|---|---|---|
| UK Corporation tax: | | | |
| - Current year | (3.8) | (6.4) | (9.8) |
| Total current tax charge | (3.8) | (6.4) | (9.8) |
| Deferred tax (see note 16): | | | |
| - Origination and reversal of temporary differences | 1.6 | (7.5) | (11.5) |
| - Adjustment in respect of prior years | - | (2.9) | (4.4) |
| - Impact of rate change | - | (7.5) | (11.6) |
| Total deferred tax | 1.6 | (17.9) | (27.5) |
| **Total tax credit for the period** | **(2.2)** | **(24.3)** | **(37.3)** |

The tax charge on ordinary activities is calculated using an estimated effective tax rate for the full financial year, adjusted for the tax effect of discrete items (including fair value movements) arising within the interim period. The resulting effective tax rates are 9.4%, 18.8% and 19.8% for the periods ended 31 December 2022, 30 June 2022 and 31 December 2021 respectively.

The overall effective tax rates are comparable to the UK's blended statutory tax rate of 20.5% for the full year ended 30 June 2023 and19% for the full year ended 30 June 2022. The effective tax rate in each period is reduced due to disallowed interest expenses and, for the periods ended 31 December 2021 and 30 June 2022, increased due to the impact of the tax rate change and adjustments in respect of prior years. The effective tax rate for the period ended 31 December 2022 is distorted due to tax and profits being close to nil.

The UK's statutory tax rate was 19.0%, increasing to 25.0% with effect from 1 April 2023. This increase was substantively enacted 24 May 2021. UK deferred tax has been measured at the substantively enacted rate at which the temporary difference is forecast to unwind.

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

There has been a restatement of the income statement tax credits for the periods ended 31 December 2021 and 30 June 2022 due to a revision of group relief amounts resulting from the need to recalculate the amount of group relief provided (to Companies outside of this consolidation), the payments received for that group relief and the recalculation of the deferred and current tax for the period ended 31 December 2021 as a consequence of these changes. To the extent current tax credits have been reduced, payments for group relief have been reclassified as capital contributions within the consolidated statement of changes in equity. Prior to the restatement, the total current tax credit was £9.2m and £26.4m; the deferred tax credit was £7.3m and £27.5m and the total tax credit was £16.5m and £53.9m for the periods ended 31 December 2021 and 30 June 2022 respectively.

### Tax in Consolidated Statement of Comprehensive Income

There is a tax credit of £2.5m (June 2022: charge of £1.7m; December 2021: charge of £2.9m) in respect of the actuarial loss of £10.1m (June 2022: gain of 6.7m; December 2021: gain of £11.7m) in the Consolidated Statement of Comprehensive Income.

## 13 Goodwill

| | £m |
|---|---|
| **Cost:** | |
| At 1 July 2022 | 1,458.4 |
| **At 31 December 2022** | **1,458.4** |
| | |
| **Accumulated impairment losses:** | |
| At 1 July 2022 | 0.4 |
| **At 31 December 2022** | **0.4** |
| | |
| **Carrying amount:** | |
| **At 31 December 2022 (Unaudited)** | **1,458.0** |
| At 31 December 2021 (Unaudited) | 1,458.0 |
| At 30 June 2022 | 1,458.0 |

## 14 Other intangible assets

| | Licences | Development costs | Access rights | Software | Assets under the course of construction (AUC) | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Cost** | | | | | | |
| At 1 July 2022 | 13.7 | 21.4 | 15.4 | 63.4 | 3.0 | 116.9 |
| Additions | - | - | - | - | 4.1 | 4.1 |
| Transfers from AUC | 1.2 | | | 0.7 | (1.9) | - |
| Transfers from PPE (note 15) | - | - | - | 12.1 | - | 12.1 |
| **At 31 December 2022** | **14.9** | **21.4** | **15.4** | **76.2** | **5.2** | **133.1** |
| | | | | | | |
| **Accumulated amortisation** | | | | | | |
| At 1 July 2022 | 9.2 | 10.7 | 15.4 | 45.2 | - | 80.5 |
| Charge for the period | 0.7 | 1.3 | - | 4.6 | - | 6.6 |
| **At 31 December 2022** | **9.9** | **12.0** | **15.4** | **49.8** | **-** | **87.1** |
| | | | | | | |
| **Carrying amount** | | | | | | |
| **At 31 December 2022 (Unaudited)** | **5.0** | **9.4** | **-** | **26.4** | **5.2** | **46.0** |
| At 31 December 2021 (Unaudited) | 5.0 | 11.1 | - | 21.1 | - | 37.2 |
| At 30 June 2022 | 4.5 | 10.7 | - | 18.2 | 3.0 | 36.4 |

## 15 Property, plant and equipment

| | Freehold land and buildings | Leasehold buildings | Plant and equipment | Assets under the course of construction (AUC) | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Cost** | | | | | |
| At 1 July 2022 | 271.6 | 169.0 | 1,926.6 | 109.0 | 2,476.2 |
| Additions | - | 1.6 | 4.3 | 34.9 | 40.8 |
| Completion of AUC | 1.5 | 1.0 | 5.2 | (7.7) | - |
| Transfers to intangibles (Note 14) | - | - | - | (12.1) | (12.1) |
| Disposals | (1.5) | (2.8) | (5.4) | - | (9.7) |
| **At 31 December 2022** | **271.6** | **168.8** | **1,930.7** | **124.1** | **2,495.2** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| At 1 July 2022 | 10.9 | 88.6 | 1,075.6 | - | 1,175.1 |
| Charge for the period | 2.8 | 6.0 | 30.3 | - | 39.1 |
| Disposals | (0.1) | (1.5) | (5.2) | - | (6.8) |
| **At 31 December 2022** | **13.6** | **93.1** | **1,100.7** | **-** | **1,207.4** |
| | | | | | |
| **Carrying amount** | | | | | |
| **At 31 December 2022 (Unaudited)** | **258.0** | **75.7** | **830.0** | **124.1** | **1,287.8** |
| At 31 December 2021 (Unaudited) | 266.0 | 86.3 | 847.6 | 149.5 | 1,349.4 |
| At 30 June 2022 | 260.7 | 80.4 | 851.0 | 109.0 | 1,301.1 |

## 16 Deferred tax

| | 31 December 2022 Unaudited £m | 31 December 2021 (restated) Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| Deferred tax asset | 202.1 | 192.7 | 203.4 |
| Deferred tax liability | (13.0) | (15.2) | (15.2) |
| Total deferred tax recognised | **189.1** | **177.5** | **188.2** |

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

During completion of the tax compliance process for the year ended 30 June 2021, it was identified that the disallowed finance expenses under the Corporation Interest Restriction legislation were materially higher than reflected in the statutory accounts. This arose due to the treatment within this legislation of the exceptional gain on the disposal of discontinued operations. As a result, additional deferred tax assets of £53.3m were utilised in the period to 30 June 2021 and a UK corporation tax charge of £2.4m has been recognised. This item was identified after preparation of the 31 December 2021 interim financial statements and deferred tax assets as at 31 December 2021 are therefore restated (as a result of the revised opening balance for this period).

The deferred tax asset at 31 December 2021 (before offset of deferred tax liabilities) prior to restatement was £235.4m; the reduction in the deferred tax asset at 31 December 2021 reflects an amendment of £53.3m noted above and an increased deferred tax charge of £10.6m arising as a result of the restatement described in note 12.

## 17 Trade and other receivables

| | 31 December 2022 Unaudited £m | 31 December 2021 (restated) Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| Trade receivables | 59.4 | 62.9 | 64.5 |
| Amounts receivable from other Group entities | 147.3 | 149.7 | 127.0 |
| Other receivables | 4.5 | 4.1 | 4.3 |
| Prepayments | 30.9 | 24.7 | 24.2 |
| Taxation and social security | 8.0 | - | 6.3 |
| | **250.1** | **241.4** | **226.3** |
| Contract assets | **15.7** | **17.4** | **13.0** |

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

The 31 December 2021 figures have been restated to reflect adjustments to intercompany payments related to tax. Prior to this restatement, Amounts receivable from other Group entities were £141.7m. See note 12 for detail.

## 18 Cash and cash equivalents

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| Cash at bank | 6.0 | 20.7 | 8.3 |
| Short term deposits | 25.1 | 26.0 | 5.0 |
| **Total cash and cash equivalents** | **31.1** | **46.7** | **13.3** |

## 19 Trade and other payables

| | 31 December 2022 Unaudited £m | 31 December 2021 (restated) Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| **Current** | | | |
| Trade payables | 34.5 | 43.4 | 38.2 |
| Amounts payable to other Group entities | 1,521.2 | 1,343.9 | 1,398.8 |
| Taxation and social security | - | 11.7 | - |
| Other payables | 3.6 | 2.6 | 2.9 |
| Accruals | 53.9 | 47.9 | 59.7 |
| **Total current trade and other payables** | **1,613.2** | **1,449.5** | **1,499.6** |
| **Corporation tax** | **2.4** | **2.4** | **2.4** |
| Contract liabilities | **114.3** | **103.8** | **101.1** |
| **Non-Current** | | | |
| Contract liabilities | **322.6** | **338.8** | **338.5** |

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

31 December 2021 figures have been restated to reflect adjustments to intercompany payments related to tax. Prior to this restatement, Amounts payable to other Group entities were £1,343.5m. See note 12 for detail. Corporation tax liabilities have been restated to reflect a liability of £2.4m (previously nil).

## 20 Borrowings

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| **Within current liabilities:** | | | |
| Lease liabilities | 19.0 | 20.4 | 18.8 |
| Bank facilities[1] | 53.0 | - | 34.0 |
| Senior debt | 90.0 | - | - |
| Senior bonds and notes (amortising) | 45.2 | 67.6 | 50.4 |
| Accrued interest on senior financing[2] | (1.3) | 0.4 | 0.7 |
| **Borrowings due within one year** | **205.9** | **88.4** | 103.9 |
| **Within non-current liabilities:** | | | |
| Bank loans | **171.9** | **261.6** | **261.5** |
| - *Senior debt* | *172.0* | *262.0* | *262.0* |
| - *Issue costs* | *(0.1)* | *(0.4)* | *(0.5)* |
| Other loans | **621.1** | **666.4** | **653.0** |
| - *Senior bonds and notes* | *625.1* | *670.3* | *657.0* |
| - *Issue costs* | *(4.0)* | *(3.9)* | *(4.0)* |
| Amounts payable to other group entities | **496.8** | **496.8** | **496.8** |
| Lease liabilities | **58.5** | **77.6** | **66.8** |
| **Borrowings due after more than one year** | **1,348.3** | **1,502.4** | **1,478.1** |

All borrowings are denominated in Sterling.

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

The fair value of the senior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £409.2m (31 December 2021: £539.3m; 30 June 2022: £474.8m) whilst their carrying amount was £430.7m (31 December 2021: £457.3m; 30 June 2022: £444.0m).

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

The weighted average interest rate of borrowings is 5.78% (31 December 2021: 4.95%; 30 June 2021: 5.36%).
An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| **Borrowings fall due within:** | | | |
| One year | 207.2 | 88.4 | 103.9 |
| One to five years | 450.8 | 528.4 | 549.1 |
| More than five years | 901.6 | 977.9 | 933.4 |
| **Total** | **1,559.6** | **1,594.7** | **1,586.4** |

[1] Bank facilities include drawings on Senior working capital facility. This facility has a final maturity date of 2024.
[2] The balance at 31 December 2022 includes £1.3m interest receivable (31 December 2021: £0.4m payable, 30 June 2022: £0.6m payable) under swap arrangements associated with the underlying financing.

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

**Senior debt** includes an institutional term loan with £90.0m outstanding (31 December 2021: £90.0m; 30 June 2022: £90.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £172.0m outstanding (31 December 2021: £172.0m; 30 June 2022: £172.0m) with an expected maturity date of June 2024.
**Bank facilities** are comprised of various facilities which the Group has access to. The Group has access to a £135.0m Senior Working Capital Facility maturing in 2024 and a £150.0m Liquidity Fund. These facilities are floating rate in nature with a margin over SONIA of between 120 and 130bps. The facilities had £53.0m drawings as at 31 December 2022 (31 December 2021: £nil; 30 June 2022: £34.0m).

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

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

As at 31 December 2022, the Group has £430.7m sterling denominated bonds outstanding with fixed interest rates ranging between 4.88% and 5.34%. These bonds have scheduled amortisation between June 2023 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues. The Group has £239.7m (31 December 2021: £280.6m; 30 June 2022: £263.4m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between June 2023 and December 2029. These instruments have a margin over SONIA of between 238 and 248 bps.

All of the above financing instruments have covenants attached, principally an interest cover ratio and a debt leverage ratio, and benefit from security over substantially all of the Group's assets under a Whole Business Securitisation structure. The Group continues to comply with all covenant requirements.

## 21 Financial instruments

With the exception of derivative financial instruments (which are recognised and measured at fair value through profit and loss) the Group's financial assets and financial liabilities are recognised and measured following the loans and receivables recognition category.

The weighted average interest rate of fixed rate financial liabilities at 31 December 2022 was 5.1% (31 December 2021: 5.1%; 30 June 2022: 5.1%). The weighted average period of funding was 4.2 years (31 December 2021: 6.7 years; 30 June 2022: 6.4 years).

Within the Group's financial liabilities were borrowings of £1,558.5 excluding issue costs (31 December 2021: £1,594.7m; 30 June 2022: £1,586.4m) (see note 20), which includes £501.7m (31 December 2021: £542.6m; 30 June 2022: £559.4m) with floating interest and the remainder with fixed interest (prior to hedging arrangements).

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

At the period end, the Group held interest rate swaps with notional amounts of £400.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 0.2%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 20).

The Group has also entered into index linked swaps (notional amount of £681.8m) where it receives floating and pays fixed interest obligations to an average rate of 2.9% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in June. All of these instruments have a maturity date of April 2027. These instruments were established to hedge the Group's either fixed or floating rate debt (namely fixed rate sterling) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £600.5m of fixed to floating rate interest rate swaps to partially offset the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The fair value of the interest rate and inflation swaps at 31 December 2022 excluding the inflation swap principal accretion of £nil (31 December 2021: £38.7m, 30 June 2022: £nil) is a liability of £288.6m (31 December 2021: £346.1m; 30 June 2022: £313.6m). This fair value is calculated using a risk-adjusted discount rate.

**Fair value hierarchy**
Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps and inflation rate swaps (as disclosed below) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

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

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| **Within non-current assets** | | | |
| Interest rate swaps | 43.2 | 15.1 | 31.9 |
| | 43.2 | 15.1 | 31.9 |
| **Within non-current liabilities** | | | |
| Inflation-linked interest rate swaps | (331.8) | (400.8) | (345.5) |
| | (331.8) | (400.8) | (345.5) |
| **Total** | **(288.6)** | **(385.7)** | **(313.6)** |
| Change in fair value recognised in the income statement: | | | |
| - Attributable to changes in market conditions | (14.0) | (55.9) | (74.0) |
| - Attributable to changes in perceived credit risk | 5.2 | (3.9) | (3.6) |
| **Total loss recognised in the income statement** | **(8.9)** | **(59.8)** | **(77.6)** |
| Cash settlement of principal accretion on inflation-linked swaps | 33.9 | - | 90.0 |
| **Total change in fair value** | **25.0** | **(59.8)** | **12.4** |

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

## 22 Provisions

| | Decommissioning | Restructuring | Remediation and maintenance | Onerous Contracts | Other | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| At 1 July 2022 | 78.2 | 1.1 | 3.7 | - | 3.9 | 86.9 |
| Unwind of discount (note 10) | 1.9 | - | 0.1 | - | - | 2.0 |
| Utilised in the period | (0.2) | (0.9) | - | - | - | (1.1) |
| Charged to income statement | 0.4 | - | - | - | 0.3 | 0.7 |
| **At 31 December 2022 (Unaudited)** | **80.3** | **0.2** | **3.8** | **-** | **4.2** | **88.5** |
| At 31 December 2021 (Unaudited) | 73.7 | 2.0 | 4.7 | 2.9 | 6.0 | 89.3 |
| At 30 June 2022 | 78.2 | 1.1 | 3.7 | - | 3.9 | 86.9 |

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| **Analysed as:** | | | |
| Current | 3.2 | 4.4 | 3.9 |
| Non-current | 85.3 | 84.9 | 83.0 |
| | **88.5** | **89.3** | **86.9** |

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

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

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

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

## 23 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|
| Operating profit | 117.0 | 70.8 | 141.6 |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | 39.1 | 73.4 | 158.4 |
| Amortisation of intangible assets | 6.6 | 4.6 | 13.2 |
| Exceptional loss on disposal of assets | - | 10.0 | 9.5 |
| Loss on disposal of property, plant and equipment | 0.4 | - | 2.1 |
| Impairment of assets | - | - | 0.5 |
| Other income | (3.9) | (3.8) | (7.7) |
| Revenue service credits | 12.3 | - | 7.6 |
| Receipt of insurance stage payments | (10.0) | - | (5.0) |
| Operating cash flows before movements in working capital | **161.5** | **155.0** | **320.2** |
| (Increase) / decrease in receivables | (4.0) | 9.7 | 41.9 |
| (Decrease) / Increase in payables | (31.4) | 14.3 | (20.3) |
| Decrease in provisions | (0.4) | (1.5) | (6.1) |
| Curtailments relating to the defined benefit Pension Plan | - | - | 0.6 |
| **Cash generated from operating activities** | **125.7** | **177.5** | **336.3** |
| Taxes paid | - | - | (0.1) |
| **Net cash inflow from operating activities** | **125.7** | **177.5** | **336.2** |

Analysis of changes in financial liabilities:

| | At 1 July 2022 £m | Changes in financing cash flows (Cash) £m | Changes in fair value (Non-cash) £m | Other changes including accrued interest (Non-cash) £m | At 31 December 2022 £m |
|---|---|---|---|---|---|
| Current borrowings (Note 20) | 103.2 | (32.1) | - | 136.1 | 207.2 |
| Non-current borrowings (Note 20) | 1,478.1 | - | - | (129.8) | 1,348.3 |
| Accrued interest on borrowings (Note 20) | 0.7 | (29.9) | - | 27.9 | (1.3) |
| Derivative financial instrument Liabilities (Note 21) | 313.6 | (33.9) | 8.9 | - | 288.6 |
| **Total** | **1,895.6** | **(95.9)** | **8.9** | **34.2** | **1,842.8** |

## 24 Financial commitments and contingent liabilities

**Financing commitments**
Under the terms of the Groups external debt facilities, the Group has provided security over substantially all of its assets by way of a Whole Business Securitisation structure.

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

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| Within one year | 10.7 | 13.8 | 9.7 |
| Within two to five years | 5.3 | - | 6.9 |
| **Total capital commitments** | **16.0** | **13.8** | **16.6** |

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

**Contingent assets and liabilities**

**Bilsdale Tower Fire**
On 10 August 2021 a fire broke out at our Bilsdale transmitter site. Arqiva's engineers have worked on a four-stage recovery plan to reinstate services delivered via this site. Through efforts utilising existing and temporary infrastructure, to date around 99% of households have been returned to a coverage area for TV and commercial radio benefited from improved coverage to what it was before the fire. Arqiva continues to engage with local stakeholders, including viewers, MPs, local government and the media through its Bilsdale Mast: Project Restore programme.

Management are still assessing the financial impact of the incident and continue to engage with the Group's insurers. These financial statements include costs incurred in the period for restoration of services of £2.4m. Management continues to work with specialist advisors to assess any further potential financial penalties and service credits that may be due to third parties. Whilst an estimated service credit position has been recognised, at the current time it is not possible to fully determine the expected outcome or quantification of such amounts, which could also vary based upon the assessed time periods and relevant service levels, and therefore the Director's consider this represents a contingent liability.

The Group holds comprehensive insurance coverage and management continues to engage with the Group's insurers to assess the value of losses and restoration costs. At the current time such insurance claims, beyond the stage payments received, are considered contingent assets and are also not therefore recognised in the statement of financial position in accordance with accounting standards.

## 25 Leases

**Leases as lessee (IFRS 16)**

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

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

| | Leasehold buildings £m | Plant and equipment £m | Total £m |
|---|---|---|---|
| Balance at 1 July 2022 | 53.6 | 24.2 | 77.8 |
| Depreciation charge for the period | (4.3) | (6.4) | (10.7) |
| Additions to right of use assets | - | 0.2 | 0.2 |
| Effect of modifications to lease terms | 0.1 | 4.0 | 4.1 |
| **Balance at 31 December 2022** | **49.4** | **22.0** | **71.4** |

**Amounts recognised in the Income Statement**

| Leases under IFRS 16 | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|
| Interest on lease liabilities | 2.9 | 3.6 | 6.7 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | 1.4 | 1.8 | 2.6 |

**Amounts recognised in the cash flow statement**

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|
| Total cash outflow for leases | 14.8 | 13.7 | 28.8 |

## 26 Related party transactions

Balances and transactions between Group entities, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 27.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date. The Group entered into the following transactions with related parties who are not members of the Group:

| | Sale of goods and services | | | Purchase of goods and services | | |
|---|---|---|---|---|---|---|
| | Six months to 31 December 2022 £m | Six months to 31 December 2021 £m | Year ended 30 June 2022 £m | Six months to 31 December 2022 £m | Six months to 31 December 2021 £m | Year ended 30 June 2021 £m |
| Associates | - | 0.1 | 0.1 | - | 0.1 | 0.1 |
| Joint ventures | 2.7 | 2.2 | 4.4 | 2.8 | 1.2 | 2.2 |
| Entities under common influence | 8.4 | 1.5 | 13.8 | - | - | - |
| Other AGL group entities | 35.0 | 28.7 | 57.4 | - | - | - |
| | **46.1** | **32.5** | **75.7** | **2.8** | **1.3** | **2.3** |

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

As at 31 December 2022, the amount receivable from associates was £nil (31 December 2021: £nil; 30 June 2022: £nil). There were no amounts payable to associates as at 31 December 2022 (31 December 2021: £nil; 30 June 2022: £nil).

As at 31 December 2022, the amount payable to joint ventures was £0.2m (31 December 2021: £0.2m; 30 June 2022: £0.2m). There were no amounts receivable from joint ventures as at 31 December 2022 (31 December 2021: £nil; 30 June 2022: £nil).

As at 31 December 2022, the amount receivable from entities under common influence was £2.7m (31 December 2021: £3.4m; 30 June 2022: £2.6m). There were no amounts payable to entities under common influence as at 31 December 2022 (31 December 2021: £nil; 30 June 2022: £nil).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 28) are set out in notes 16, 19 and 20.

## 27 Retirement benefits

**Defined benefit scheme**
In the period to 31 December 2022, the Group operated one defined benefit plan ('the Plan'), sponsored by Arqiva Limited. The defined benefit plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 16 years.

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

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

| | Six months to 31 December 2022 Unaudited £m | Six months to 31 December 2021 Unaudited £m | Year ended 30 June 2022 £m |
|---|---|---|---|
| Components of defined benefit finance income recognised in profit or loss | 1.2 | (0.5) | 0.4 |
| | **1.2** | **(0.5)** | **0.4** |

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

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

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| Return on Plan assets excluding Interest Income | (34.1) | 18.9 | (53.6) |
| Experience losses arising on the Plan's liabilities | (1.7) | - | (7.2) |
| Actuarial gains / (losses) arising from changes in financial assumptions | 25.7 | (7.2) | 66.9 |
| Actuarial (losses) / gains arising from changes in demographic assumptions | - | - | 0.6 |
| | **(10.1)** | **11.7** | **6.7** |

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

| | 31 December 2022 Unaudited £m | 31 December 2021 Unaudited £m | 30 June 2022 £m |
|---|---|---|---|
| Fair value of Plan assets | 213.3 | 314.3 | 245.6 |
| Present value of Plan liabilities | (161.2) | (253.2) | (184.6) |
| **Surplus** | **52.1** | **61.1** | **61.0** |

## 28 Events after the reporting period

In April 2023, a third interim stage payment of £10.0m was received from the insurers in relation to the Bilsdale fire. At 31 December 2022, this represented a contingent asset and has therefore not been recognised in the income statement.

## 29 Controlling parties

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

AGL is owned by a consortium of shareholders including Digital 9 Infrastructure, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company.

In June 2022 it was announced that Digital 9 Infrastructure had agreed to purchase Canada Pension Plan Investment Board's (CPPIB) entire 48% stake in AGL. Digital 9 Infrastructure is a dedicated infrastructure investor, headquartered in the UK and with significant experience in the infrastructure industry. This acquisition was completed on 18 October 2022. At that point the representatives from CPPIB appointed to the Board of Directors were replaced by representatives from Digital 9 Infrastructure.  This has not changed the day-to-day operations of the Group's.