

**Macquarie UK Broadcast  
Holdings Limited**  
Registered number 05254001

**Network Access and Managed  
Transmission Services Financial  
Statements**  
For the year ended 30 June 2010

**Produced in accordance with Section 15 of the  
Undertakings given to the Competition Commission**

# Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2010

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## Directors' report

The Directors of Macquarie UK Broadcast Holdings Limited ('MUKBHL') and its subsidiaries ('the Group') submit the following Financial Statements for its Network Access ('NA') and Managed Transmission Services ('MTS') activities as defined by the Undertakings, in respect of the year ended 30 June 2010.

On 11 March 2008, the Competition Commission announced its decision to allow the merger of the National Grid Wireless ('NGW') and Arqiva group of companies, subject to compliance with certain undertakings ('Undertakings'). Section 15 of the Undertakings requires the merged companies to maintain appropriate accounting records to enable them to prepare annual statements of revenues, costs and assets employed for each of the MTS and NA activities. These are known as the Network Access and Managed Transmission Services Financial Statements ('Financial Statements').

Appendix 14 of the Undertakings sets out the proposed format of the Financial Statements, which has been further developed to be consistent with common practice in regulatory reporting in comparable industries.

As permitted in Sections 15.1 and 15.10 of the Undertakings, these amendments have been completed in consultation with, and following the approval of, the Office of the Adjudicator – Broadcast Transmission Services ('OTABTS').

## Statement of Directors' responsibilities

In accordance with Section 15.3 of the Undertakings to the Competition Commission, the Directors confirm:

- that the Financial Statements are based on information properly extracted from MUKBHL's accounting records;
- that the attribution methodologies set out in the separate document entitled 'Arqiva - Regulatory Accounting Principles and Attribution Methods' have been applied appropriately.

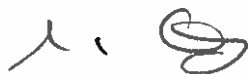
The Directors also confirm:

- that the Financial Statements have been properly prepared on the basis of consistent application of the appropriate Generally Accepted Accounting Practice across the Group;
- that the Group's accounting records and relevant meeting minutes have been made available to PricewaterhouseCoopers LLP as required for the purposes of their audit.

The maintenance and integrity of the Group's web site is the responsibility of the Directors and the maintenance and integrity of the OTABTS' web site is the responsibility of the Adjudicator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web sites.

Legislation in the United Kingdom governing the preparation and dissemination of such Financial Statements may differ from legislation in other jurisdictions.

By order of the Board



**Michael Giles**  
Company Secretary  
Crawley Court  
Crawley  
Winchester  
Hampshire  
SO21 2QA

27 October 2010

## **Independent Accountants' report to Macquarie UK Broadcast Holdings Limited and the Office of the Adjudicator – Broadcast Transmission Services**

We have audited the Network Access and Managed Transmission Services Financial Statements ('Financial Statements') of Macquarie UK Broadcast Holdings Limited ('the Company') which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliations to the Statutory Consolidated Profit and Loss Account, and the Reconciliations to the Statutory Consolidated Balance Sheet and the related notes.

This report is made, on terms that have been agreed, solely to the Company and the Office of the Adjudicator – Broadcast Transmission Services (the 'Adjudicator') in order to meet the requirements of the Undertakings to the Competition Commission by the Company, Macquarie MCG International Ltd, Macquarie European Infrastructure Fund II, Macquarie European Infrastructure Fund III and Macquarie Capital Funds (Europe) Ltd on 1 September 2008 ('the Undertakings'). Our audit work has been undertaken so that we might state to the Company and the Adjudicator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Undertakings to procure such a report and (b) to facilitate the carrying out by the Adjudicator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Adjudicator, for our audit work, for this report or for the opinion we have formed.

### **Basis of preparation**

The Financial Statements are separate from the statutory financial statements of the Company and its subsidiaries ('the Group') and have not been prepared solely under the basis of Generally Accepted Accounting Principles in the United Kingdom ('UK GAAP'). The Financial Statements have been prepared under the historical cost convention by disaggregating balances recorded in the general ledgers and other accounting records of the Group in accordance with sections 15.1 and 15.2 of the Undertakings and the Regulatory Accounting Principles and Attribution Methods ('RAPAMs') dated 15 October 2010.

Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 2006.

### **Respective responsibilities of the Adjudicator, the Directors and Auditors**

The nature, form and content of Financial Statements are determined by the Adjudicator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Adjudicator's purposes. Accordingly we make no such assessment.

The Directors' responsibilities for preparing the Financial Statements in accordance with paragraphs 15.1 and 15.2 of the Undertakings are set out in the Statement of Directors' responsibilities on page 3.

Our responsibility is to audit the Financial Statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion', below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'.

We report our opinion as to whether the Financial Statements are properly prepared in accordance with paragraphs 15.1 and 15.2 of the Undertakings and RAPAMs, with the exception of the requirement in 15.1 to consider whether the Financial Statements fairly represent the state of the businesses' affairs to which they relate, which is replaced, for this reporting period, with our opinion on whether the Financial Statements have been properly prepared in accordance with the RAPAMs which are required to be maintained by the Company in accordance with paragraphs 15.1 and 15.5 of the Undertakings.

We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

### **Basis of audit opinion**

As explained in the 'Principal accounting policies' on page 12, the Company has prepared the Financial Statements by disaggregating balances recorded in the general ledgers and other accounting records of the Company and its subsidiaries ('the Group') maintained in accordance with the Companies Act 2006 and used, in accordance with that Act, for the preparation of the Company's statutory consolidated financial statements for the year ended 30 June 2010 ('the Statutory Accounts').

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We audited the Statutory Accounts on which we expressed an unqualified audit opinion. In conducting our subsequent examination of the Financial Statements, and in providing the opinion below, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audit of the Statutory Accounts.

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. We planned and performed our examination so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are properly prepared in accordance with the relevant aspects of paragraph 15.1 of the Undertakings, paragraph 15.2 of the Undertakings and RAPAMs. The RAPAMs are required to be maintained by the Company in accordance with paragraphs 15.1 and 15.5 of the Undertakings.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material mis-statement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of the Financial Statements are determined by the Adjudicator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Our opinion on the Financial Statements is separate from our opinion on the Statutory Accounts on which we reported on 27 October 2010, which are prepared for a different purpose. Our audit report in relation to the Statutory Accounts (our 'Statutory Audit') was made solely to the Company's members, as a body, in accordance with Chapter 3, Part 16 of the Companies Act 2006. Our Statutory Audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory auditor's report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company's members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinion we have formed in respect of that Statutory Audit.

## Opinion

In our opinion the Financial Statements are properly prepared in accordance with the relevant aspects of paragraphs 15.1 and 15.2 of the Undertakings and the RAPAMs dated 15 October 2010.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Southampton

27 October 2010

## Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2010

### Profit and loss account

	<b>Network Access</b>	<b>Managed Transmission Services</b>	<b>Network Access</b>	<b>Managed Transmission Services</b>
	Year ended 30 June 2010	Year ended 30 June 2010	Year ended 30 June 2009	Year ended 30 June 2009
	£'000	£'000	£'000	£'000
Total TV revenue	66,085	69,849	47,684	76,572
Total Radio revenue	38,316	20,890	38,884	17,087
<b>Total revenue</b>	<b>104,401</b>	<b>90,739</b>	<b>86,568</b>	<b>93,659</b>
Rent and rates	(12,709)	-	(11,666)	-
Power (see footnote)	(300)	-	(300)	-
Circuits	-	(2,824)	-	(4,479)
Maintenance	(9,086)	(7,304)	(7,593)	(7,725)
Satellite capacity	-	-	-	(158)
<b>Cost of Sales</b>	<b>(22,095)</b>	<b>(10,128)</b>	<b>(19,559)</b>	<b>(12,362)</b>
Operating costs	(15,472)	(11,486)	(16,684)	(15,599)
Facilities recharge	(567)	(345)	(618)	(417)
Depreciation	(17,904)	(20,551)	(16,155)	(22,461)
<b>Total operating costs</b>	<b>(33,943)</b>	<b>(32,382)</b>	<b>(33,457)</b>	<b>(38,477)</b>
Exceptional costs	(1,252)	(272)	(3,895)	(4,476)
<b>Operating result</b>	<b>47,111</b>	<b>47,957</b>	<b>29,657</b>	<b>38,344</b>

#### Power footnote:

This represents the unavoidable power costs associated with the provision of masts, including but not limited to mast beacons and security. Power costs associated with the provision of individual services are included in the "other" business (see page 8) on the basis that they are charged to customers on a pass-through basis with no mark up and could be sourced from suppliers directly by customers.

The power costs passed on to customers amounts to £19,996,000 (2009: £21,377,000) and if it were to be included in the MTS business it would affect revenues and costs of sales by equal and opposite amounts.

## Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2010

### Balance sheet

	<b>Network Access</b>	<b>Managed Transmission Services</b>	<b>Network Access</b>	<b>Managed Transmission Services</b>
	<b>30 June 2010</b>	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed Assets</b>	<b>615,815</b>	<b>214,921</b>	<b>524,321</b>	<b>180,633</b>
<b>Current Assets</b>				
Debtors: amounts falling due within one year	13,734	11,302	16,067	11,186
Cash at bank and in hand	18,075	18,410	4,258	5,450
<b>Total Current Assets</b>	<b>31,809</b>	<b>29,712</b>	<b>20,325</b>	<b>16,636</b>
Creditors: amounts falling due within one year	(31,197)	(22,737)	(40,508)	(27,124)
<b>Net Current Assets/(Liabilities)</b>	<b>612</b>	<b>6,975</b>	<b>(20,183)</b>	<b>(10,488)</b>
<b>Total Assets less Current Liabilities</b>	<b>616,427</b>	<b>221,876</b>	<b>504,138</b>	<b>170,145</b>
Creditors: amounts falling due after more than one year			(3,751)	(3,972)
Provisions for liabilities and charges	(8,075)	(2,145)	(12,907)	-
<b>Capital Employed</b>	<b>608,352</b>	<b>219,751</b>	<b>487,480</b>	<b>166,173</b>

These Financial Statements were approved by the Board of Directors on 27 October 2010 and were signed on its behalf by:

  
Peter Shore - Director

**Macquarie UK Broadcast Holdings Limited**

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2010

**Reconciliation to Statutory Consolidated Profit & Loss  
Account for the year ended 30 June 2010**

	<b>Network Access</b>	<b>Managed Transmission Services</b>	<b>Other</b>	<b>Total per Statutory Accounts</b>
	Year ended 30 June 2010	Year ended 30 June 2010	Year ended 30 June 2010	Year ended 30 June 2010
	£'000	£'000	£'000	£'000
Revenue	104,401	90,739	628,164	823,304
Cost of Sales	(22,095)	(10,128)	(336,709)	(368,932)
Operating Costs	(16,039)	(11,831)	(96,172)	(124,042)
Depreciation	(17,904)	(20,551)	(42,147)	(80,602)
Exceptional Costs	(1,252)	(272)	(1,302)	(2,826)
<b>Operating Result</b>	<b>47,111</b>	<b>47,957</b>	<b>151,834</b>	<b>246,902</b>
Amortisation				(160,400)
Share of operating profit in associates				(744)
Income in shares in group undertakings				126
Interest payable and similar charges				(333,302)
Interest receivable and similar income				1,164
<b>Loss before tax</b>				<b>(246,254)</b>
Tax on loss on ordinary activities				9,641
<b>Loss on ordinary activities after taxation</b>				<b>(236,613)</b>
Equity minority interests				(141)
<b>Loss for the year</b>				<b>(236,754)</b>



**Macquarie UK Broadcast Holdings Limited**

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2010

**Reconciliation to Statutory Consolidated Profit & Loss  
Account for the year ended 30 June 2009**

	<b>Network Access</b>	<b>Managed Transmission Services</b>	<b>Other</b>	<b>Total per Statutory Accounts</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	86,568	93,659	625,293	805,520
Cost of Sales	(19,559)	(12,362)	(324,916)	(356,837)
Operating Costs	(17,302)	(16,016)	(111,302)	(144,620)
Depreciation	(16,155)	(22,461)	(40,874)	(79,490)
Exceptional Costs	(3,895)	(4,476)	(19,788)	(28,159)
<b>Operating Result</b>	<b>29,657</b>	<b>38,344</b>	<b>128,413</b>	<b>196,414</b>
Amortisation				(154,374)
Share of operating profit in associates				256
Interest payable and similar charges				(254,442)
Interest receivable and similar income				6,477
<b>Loss before tax</b>				<b>(205,669)</b>
Tax on loss on ordinary activities				21,840
<b>Loss for the year</b>				<b>(183,829)</b>

**Macquarie UK Broadcast Holdings Limited**

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2010

**Reconciliation to Statutory Consolidated Balance Sheet at 30 June 2010**

	<b>Network Access</b>	<b>Managed Transmission Services</b>	<b>Other</b>	<b>Total per Statutory Accounts</b>
	<b>30 June 2010</b>	<b>30 June 2010</b>	<b>30 June 2010</b>	<b>30 June 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed Assets	615,815	214,921	650,243	1,480,979
Debtors: amounts falling due within one year	13,734	11,302	145,858	170,894
Cash at bank and in hand	18,075	18,410	58,281	94,766
<b>Total Current Assets</b>	<b>31,809</b>	<b>29,712</b>	<b>204,139</b>	<b>265,660</b>
Creditors: amounts falling due within one year	(31,197)	(22,737)	(345,314)	(399,248)
<b>Net Current Assets/(Liabilities)</b>	<b>612</b>	<b>6,975</b>	<b>(141,175)</b>	<b>(133,588)</b>
<b>Total Assets less Current Liabilities</b>	<b>616,427</b>	<b>221,896</b>	<b>509,068</b>	<b>1,347,391</b>
Creditors: amounts falling due after more than one year			(77,068)	(77,068)
Provisions for liabilities and charges	(8,075)	(2,145)	(41,534)	(51,754)
<b>Capital Employed</b>	<b>608,352</b>	<b>219,751</b>	<b>390,466</b>	<b>1,218,569</b>
<b>Assets/Liabilities excluded for regulatory reporting purposes</b>				
Intangible fixed assets including goodwill				2,459,618
Investments in JVs/Associates				4,910
Short term debt				(186,126)
Long term debt				(3,548,097)
Deferred tax				(13,148)
Pension deficit				(8,856)
<b>Total Capital Employed</b>				<b>(73,130)</b>

**Macquarie UK Broadcast Holdings Limited**

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2010

**Reconciliation to Statutory Consolidated Balance Sheet at  
30 June 2009**

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	£'000	£'000	£'000	£'000
Fixed Assets	524,321	180,633	635,286	1,340,240
Current Assets	20,325	16,636	153,945	190,906
<b>Total Current Assets</b>	<b>20,325</b>	<b>16,636</b>	<b>153,945</b>	<b>190,906</b>
Creditors: amounts falling due within one year	(40,508)	(27,124)	(314,463)	(382,095)
<b>Net Current Liabilities</b>	<b>(20,183)</b>	<b>(10,488)</b>	<b>(160,518)</b>	<b>(191,189)</b>
<b>Total Assets less Current Liabilities</b>	<b>504,138</b>	<b>170,145</b>	<b>474,768</b>	<b>1,149,051</b>
Creditors: amounts falling due after more than one year	(3,751)	(3,972)	(85,292)	(93,015)
Provisions for liabilities and charges	(12,907)	-	(22,182)	(35,089)
<b>Capital Employed</b>	<b>487,480</b>	<b>166,173</b>	<b>367,294</b>	<b>1,020,947</b>
<b>Assets/Liabilities excluded for regulatory reporting purposes</b>				
Intangible fixed assets including goodwill				2,609,924
Investments in JVs/Associates				7,989
JV receivables				1,607
Short term debt				(63,588)
Long term debt				(3,378,865)
Provisions for pension liabilities				(614)
Corporate & deferred tax				(21,744)
Pension deficit				(7,229)
<b>Total Capital Employed</b>				<b>168,427</b>

## Notes to the Financial Statements

### 1 Principal accounting policies

#### (a) Basis of preparation

The reporting requirements set out in the Undertakings differ from the way in which MUKBHL is organised for management and statutory reporting purposes. As such, the Financial Statements are derived from the general ledger used to prepare the consolidated MUKBHL statutory accounts, which capture all of the Group's businesses, with the reporting requirements of the Undertakings overlaid.

MUKHBL maintains its core accounting records in a manner which allows for revenues, costs, assets and liabilities to be attributed either directly or indirectly to the Network Access and Managed Transmission Services and established practice.

The Financial Statements analyse MUKHBL's activities into three core categories: 'Network Access', 'Managed Transmission Services' and 'Other'. The revenues, costs, assets and liabilities for the 'Other' category are arrived at by deducting the total of the Network Access and Managed Transmission Services from the total balances of MUKBHL and therefore represent the remainder of the Group's business.

These Financial Statements have been prepared in accordance with the accounting policies set out in the consolidated statutory accounts for MUKBHL, together with Arqiva's Regulatory Accounting Policies & Attribution Methods ('RAPAMs') dated 15 October 2010.

The RAPAMs will be updated at least annually, in consultation with and with the approval of the OTABTS, in order to reflect both operational and accounting changes in the Group. The FY09 Financial Statements have been prepared in accordance with the FY09 RAPAMs dated 17 November 2009, whereas the FY10 Financial Statements have been based on the FY10 RAPAMs dated 15 October 2010.