Arqiva Broadcast Parent Limited

Registered number 08085823

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2019

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Interim financial report

The Directors of Arqiva Broadcast Parent Limited ('ABPL'), registered company number 08085823, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2019.

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 telecommunications infrastructure;
- the ability of the Group to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- the Group's dependency on only a limited number of key customers for a large percentage of its revenue; and
- expectations as to revenues not under contract.

Business overview

Arqiva is one of the UK's leading communications infrastructure and media services providers, with significant investments in essential communications infrastructure. The Group is the sole terrestrial broadcast network provider in the UK and the leading independent telecom towers operator, with the latter part going through a sales process as outlined in this report. The Group's core infrastructure business (comprising terrestrial broadcast, digital platforms, satellite infrastructure, machine-to-machine and wireless site-share) 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 £4.5bn as at 30 June 2019.

Recent Developments since 30 June 2019

Sale of Towers business
On 8 October 2019, Arqiva announced that it had reached an agreement to sell its Telecoms division to Cellnex for £2.0bn. The transaction will include c. 7,400 sites and the contractual rights to market a further c. 900 sites across the UK.

The transaction is expected to close in mid-2020 (subject to a Competition and Markets Authority (CMA) Phase One clearance), and the Group continues to work towards this, on business separation and the Competition and Markets Authority (CMA) process, for example. The majority of the sales proceeds will be used to repay senior debt and swaps, to further strengthen the capital structure of the remaining business and the Group will engage with the appropriate stakeholders in due course.

The remaining business will consist of the Media Networks business (comprising Terrestrial Broadcast TV and Radio, Digital Platforms and Satellite products) and the Group's Machine-to-Machine (M2M) business.

Media Networks (formerly Terrestrial Broadcast and Satellite and Media)

Consolidation of Terrestrial Broadcast and Satellite and Media
The consolidation of Terrestrial Broadcast and Satellite and Media into the newly formed Media Networks business unit was successfully completed at the start of the financial year.

Reduced focus on Playout and closure of Occasional Use
Following the closure of our traditional Occasional Use satellite distribution business on 30 June 2019, we also continue to progress our plans to exit the playout market by the end of calendar year 2020 and this remains on track. To date, we have run down a major live sports playout contract from our Feltham operation and a second large contract is on track to leave by the end of March 2020. These traditional satellite Occasional Use and Playout businesses were relatively subscale areas providing minimal contribution to the Group's overall earnings and cashflow.

700 MHz Clearance and DTT spectrum
The 700 MHz Clearance project remains on track to complete the last Clearance Event by spring 2020. The scope of the project is to clear the 700MHz spectrum band (694 MHz to 790 MHz) of DTT use, so that it can be auctioned by Ofcom and used for mobile data. The overall programme is expected to complete by late 2021 which will include final reinstatement of sites. The Group continues to earn revenues and cash flows as delivery milestones are successfully completed. At 31 December 2019, 89% of Clearance events had been successfully completed and 407 relay antennas had been completed out of 416 across the whole country.

Digital Platforms channel utilisation
During the quarter, the Group successfully renewed and upgraded a number of channels within Digital Platforms. The CBS Drama contract was renewed and both Smithsonian and PBS America were upgraded, moving from the interim DVB-T2 multiplexes to the main national DVB-T multiplexes which give them improved reach and coverage.

Arqiva's main (DVB-T) multiplexes remain highly utilised with 96% of capacity sold as at 31 December 2019. The Group continues to review all opportunities and is in discussions with a number of customers regarding the sale of the unutilised capacity.

Digital Platforms DVB-T2 multiplexes
The Group's current interim DVB-T2 multiplex licences will end in June 2020. We are expecting to be issued a new licence that is likely to be on a rolling one month notice period. Discussions are ongoing with Ofcom to secure more DVB-T2 licence assurance for our customers.

Digital radio (DAB)
DAB listening continues with the current figures from industry data provider RAJAR showing that 56.8% of listening is now to digital radio platforms (Q3 2019). Listening to national commercial radio is showing particularly strong growth. Arqiva is marketing capacity for a further national station and expects to complete the contract during this quarter. At that point Sound Digital will be at 100% occupancy. The other national commercial DAB multiplex, Digital One (100% owned by Arqiva) is already at 100%. We continue to market unused capacity on the 23 local DAB multiplexes owned by Arqiva and occupancy has again increased year-on-year.

The Government's review of the UK's transition to digital radio listening continues. Arqiva has been working directly with other stakeholders and the expectation remains that the review will be completed within the next twelve months of the date of this report.

<u>Telecoms & M2M</u>

Small cells and pilot network
Whilst the UK small cells market remains in its early stages, demand continues to grow and Arqiva anticipates new scale orders in the coming months. Arqiva has several hundred small cells deployed and operational across London and three out of the four UK mobile network operators (MNOs) have deployed small cells on Arqiva managed street assets. All of our London concessions now have live services or orders placed against them. The service is equally suitable for 5G as it is for 4G.

In addition to the above, the Group's 4G / 5G small cells pilot in the London Borough of Hammersmith & Fulham, which will also involve the creation of a 15km high density fibre network, now has a number of live sites as planned.

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

Smart energy metering rollout
The Group's smart metering communication network in the North of England and Scotland currently covers 99.4% of premises and is planned to reach final coverage of 99.5% by summer 2020. The customer, the Data Communications Company (DCC), continues to submit change requests that reflect new industry requirements with the next major release planned for March/April. The Group expects change requests to continue during this financial year, but at a reduced volume compared to the previous period.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC has noted that as of October 2019 there were 2.5 million SMETS2 meters on the national network and whilst the rollout completion date is likely to be extended from the end of 2020 to the end of 2024, this extension is reflective of the time needed by energy suppliers and their meter installation teams. Arqiva continues to work proactively with DCC, BEIS and other service providers to minimise any effects.

Smart water metering rollout – Thames Water
Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 31st December 2019, there were over 455,000 meters installed and with nearly 10 million meter readings being delivered per day, it is the largest smart water metering network in the UK. The network comprised 105 sites out of the 106 required for full network coverage across the entire Thames Water London region with completion expected early 2020.

Smart water metering trial contracts – Anglian Water
Since June 2016, Arqiva has been operating smart water metering trials for Anglian Water in two of their regions. These trials are part of Anglian Water's strategy for a long-term smart metering programme and the delivery of our service has enabled Anglian to realise the significant benefits of improved leakage detection and consumer engagement, whilst also informing their business plans. As at 31st December 2019, over 17,500 meters were operational under these trials and Anglian Water has seen 358,000 litres less customer leakage per day. In March, Anglian will be concluding a procurement process for a smart network across their supply area, pivotal for the delivery of their next five year business plan and beyond.

Smart water metering regulatory update
The water industry regulator, Ofwat, provided its Final Determinations during December 2019, as part of its regulatory review process. These Determinations, which will form the basis of companies' five year business plans, in general positively acknowledge the benefits of Smart Metering as an effective tool to reduce leakage and per capita consumption. This acknowledgement reinforces Arqiva's strategy and approach of delivering services at scale in this area.

<u>Other</u>

Transformation update
The Group's company-wide transformation programme, 'FutureFit', has now moved into its integrated system design and delivery phase across all areas of change. Through FutureFit, Arqiva continues to standardise and streamline its processes, rationalising and modernising IT systems to achieve significant efficiencies, increased speed to market and improved customer service.

We continue to invest in new technologies to optimise our capabilities, secure our infrastructure and digitise our ways of working with the deployment of an integrated digital and mobile workplace. We have now completed a full Arqiva wide migration to a mobile enabled workforce with digital collaboration tools and capabilities. We are making further investments in our Service and Site Management platforms that underpin our customer and partner relationships, network management and our financial ERP systems as well as a complete overhaul of our data management capability. Planning for the first deployments began in January.

Management update
In January 2020, Arqiva appointed Shuja Khan to a newly created role of Chief Operating Officer (COO). Shuja will be leading the review and implementation of the Group's new operating model that will be required to support the business post the telecoms sale completion. Shuja brings broad experience across both the broadcast and telecoms sectors and has held similar senior roles at Cable and Wireless, Virgin Media and Liberty Global.

Also, in January, Alex Pannell took on shared responsibility for the M2M business in addition to his current responsibilities in Media Networks as Commercial Director. The M2M business will remain with Arqiva following the sale of the Telecoms business and a smooth handover for this important and growing area of our business has commenced.

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

	Six Months Ended 31 December		
	2019	2018	% Change
	(Unaudited)		
	£ millions		
Media Networks	294.8	308.4	(4.4)%
Telecoms & M2M[1]	151.5	174.5	(13.2)%
Total Group revenue	**446.3**	**482.9**	**(7.6)%**
Media Networks	203.5	193.6	5.1%
Telecoms & M2M	84.1	89.2	(5.7)%
Other[2]	(22.0)	(22.2)	(0.9)%
Total EBITDA (excluding exceptional items)	**265.6**	**260.6**	**1.9%**
Net cash inflow from operating activities	199.8	205.0	(2.5)%
Net capital expenditure	(60.0)	(77.8)	(22.9)%
Net financial investment	0.1	6.8	(98.5)%
Operating cash flow after capital and financial investment activities	**139.9**	**134.0**	**4.4%**

Media Networks implementation

On 1 July 2019 the Terrestrial Broadcast and Satellite business units were merged into a single customer facing business unit, to be known as, Media Networks. The Networks team previously within the Corporate business unit also moved into the Media Networks business stream. The segmental results for the comparative periods have been re-presented to reflect the change in operating segments.

Income Statement

Revenue

For the six month period ended 31 December 2019, revenue for the Group was £446.3m, a decrease of 7.6% from the prior year. Included within revenue is £107.9m (31 December 2018: £130.3m) associated with discontinued operations related to the Group's telecoms infrastructure and related assets which are planned to be sold, as announced in October 2019. Revenue from continuing operations has decreased 4.0%.

Media Networks

Revenue for the Group's Media Networks business during the six month period ended 31 December 2019 was £294.8m, representing a 4.4% decrease from £308.4m in the prior year period. This decrease has been driven by reduced utilisation on the main (DVB-T) multiplexes owing to a small number of customers reviewing their channel portfolios, although utilisation at 31 December 2019 was 96%. Further decrease was due to continued market pressures in a competitive Satellite market and lower revenue from traditional Occasional Use satellite distribution following the Group's decision to fully exit from this market. These decreases have been partially offset through inflation linked increases on broadcast contracts and a greater volume of engineering projects.

Telecoms & M2M

Telecoms & M2M revenues have decreased 13.2% from £174.5m to £151.5m year on year. The decrease was primarily driven by one off contractual fees incurred on legacy contracts within the core telecoms towers business. This has been

[1] For the avoidance of doubt, the Smart Metering machine-to-machine ('M2M') financials included in this report refer solely to the ABPL financials.

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

partially offset by an increase in revenues from Installation Services with the start of 5G rollout. Revenues from the M2M business have remained broadly consistent year on year.

EBITDA

For the six months ended 31 December 2019 EBITDA (as defined in Note 3) for the Group excluding exceptional items was £265.6m, representing a 1.9% increase from £260.6m in the prior year period. This increase is as a result of a reduction in cost of sales following the implementation of the new accounting standard IFRS 16 *Leases* in the current year. IFRS 16 was implemented on 1 July 2019 with the capitalisation of leases on the balance sheet as right-of-use assets and therefore reducing the rent expense incurred in the income statement (see note 3 for further information). This increase to EBITDA has been partially offset by decreases in other areas and changes in product mix as explained above.

EBITDA for the Group including exceptional items charged to operating profit was £253.4m, a decrease of 2.3% compared with the prior year period result of £259.3m.

Media Networks

EBITDA for the Group's Media Networks business during the six month period ended 31 December 2019 was £203.5m, representing a 5.1% increase from £193.6m in the prior year period. The growth was mainly due to a reduction in rent due to the accounting treatment of leases. This increase has been partially offset by the wind down of traditional Occasional Use, reducing revenue and costs. Additionally, cost savings have been achieved through a reduction in headcount following the merger of business units into the Media Networks structure.

Telecoms & M2M

EBITDA for the Group's Telecoms & M2M business during the six month period ended 31 December 2019 was £84.1m, a 5.7% decrease from the prior year figure of £89.2m. This has been driven by increases to EBITDA from the IFRS 16 treatment of leases offset by the revenue reductions explained above. Margins are further impacted by the phasing of programmes such as Installation Services.

Other

EBITDA for the Other business unit, which reflects the Group's corporate business unit, has seen costs decrease from £22.2m to £22.0m.

Depreciation

Depreciation for the Group during the six month period ended 31 December 2019 was £110.3m, an increase of 29.2% from the prior year period figure of £85.4m. £22.5m of the increase is in relation to the implementation of IFRS 16 with the capitalisation of right-of-use assets on the statement of financial position at 1 July 2019 and therefore creating a higher cost base for depreciation in the current year. Further increases are due to an increase in the underlying tangible asset base of the Group and the accelerated depreciation on certain assets (particularly in connection with assets replaced under the 700MHz Clearance Programme).

Amortisation

Amortisation for the Group during the six month period ended 31 December 2019 was £5.7m, compared to the prior year period figure of £7.4m. The decrease was due to one off accelerated amortisation of certain assets linked to the Groups IT transformation recognised in the prior year period.

Exceptional operating expenses

Exceptional operating expenses for the Group during the six month period ended 31 December 2019 were £12.2m versus £1.3m during the prior year period. Exceptional items charged to operating profit in the current year predominantly relate to transaction costs associated with one off projects including costs in relation to the planned divestment of the Telecoms towers business.

Net bank and other loan interest

Net bank and other loan interest for the Group for the six month period was £100.4m compared to £109.1m in the prior year period. This decrease was as a result of lower margin on Junior bonds following the refinancing in September 2018 and the repayment of debt principal that have been made during the year.

Other interest

Other interest for the Group for the six month period was £25.6m, compared to £16.5m in the prior year period[3]. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest. The increase from the prior year period is due to imputed interest on lease liabilities recognised in the current year period on the implementation of IFRS 16.

Interest payable to group undertakings

Interest payable to group undertakings for the six month period was £61.2m, compared to £55.7m in the prior year period. The increase is due to the additional interest on outstanding balances.

Other gains and losses

The Group reported £68.5m of other gains in the six month period (2018: £27.9m loss). Of the gains in the period, £9.2m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments. The cross-currency swaps provide an economic hedge to the Group's US$ denominated debt. A further £59.3m of gains were recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

Financial position

As at 31 December 2019 net liabilities for the Group were £1,567.9m, an increase of 0.4% from £1,562.1m in the prior year. The net liability position is primarily driven by the borrowings and derivative financial instruments held.

Cash flow

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

	Six months ended 31 December 2019 £m	Six months ended 31 December 2018 £m	Year ended 30 June 2019 £m
EBITDA	265.6	260.6	527.3
Exceptional items	(12.2)	(1.3)	(12.5)
Working capital	(53.7)	(54.2)	(27.7)
Other	0.1	(0.1)	(0.4)
Net cash inflow from operating activities	**199.8**	**205.0**	**486.7**

Net cash inflow from operating activities for the six month period ended 31 December 2019 was £199.8m compared to £205.0m for the prior year period, representing a 2.5% decrease. This decrease is driven by increased one off and exceptional costs in the year. The outflows have been offset by the accounting treatment under IFRS 16 with payments on lease liabilities now presented within financing activities.

Whilst the Group's business is not seasonal in nature, its working capital movements are, with the Group historically collecting a proportion of revenues annually in advance in the second half of the financial year. Annual staff bonus payments are made in the first half of the year. The working capital outflow for the six months to 31 December 2019 was driven by utilisation of cash received from customers in advance (decreasing deferred income contract liabilities) and timing of payments, typical with historical trends of the business as well as movements related to the implementation of IFRS 16.

Net capital expenditure in the six month period ended 31 December 2019 was £60.0m compared with £77.8m in the prior year period. The overall decrease in net capital expenditure and financial investment compared with the prior year period was principally owing to decreased expenditure on significant capital projects such as the 700MHz clearance programme as it progresses.

Operating cash flow after all capital and financial investment activities was £139.9m, compared to £134.0m in the prior year period, representing an increase of 4.4% principally driven by the reductions in capital expenditure and change in presentation of lease liability payments.

[3] Other interest refers to non-cash interest items including interest on lease obligations, amortisation of debt issue costs, and other interest as disclosed in note 10 to the financial statements.

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, where network milestone B16 (99.4% network coverage) was achieved in December in line with our contractual obligations.

- 700MHz Clearance. As of 31 December 2019: 48 out of 54, (89%) Clearance Events and 1,012 out of 1,236 (82%) Site Visits have been completed. The programme remains on track to clear the 700MHz frequency by April 2020. Supporting infrastructure preparation works are progressing well with 98% (49 sites) of Main Station airworks and 97% (407 sites) of Relay Station airworks complete. In addition, Main Station groundworks have completed at 36% (32 sites).

Other 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 2019 (six months ended 31 December 2018: 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 2019, which is available from the Group's website at www.arqiva.com.

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

ISO certification
Arqiva holds ISO27001 certification in relation to its Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices. Arqiva has held this certification since 2013 and re-certifies every three years.

Cyber security
Arqiva holds certification to ISO/IEC 27001:2013 and Cyber Essentials. 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. Cyber Essentials is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since 2016 and recertifies annually.

Going concern
The Group adopts the going concern basis in preparing these interim financial statements based on the future cash flow forecasts of the Group and available cash and facilities. 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. The Group intends to divest its telecoms towers business during 2020 as previously announced.

On behalf of the Board

Frank Dangeard
Director
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25 February 2020

Consolidated interim income statement

		Six months ended 31 December 2019 Unaudited			Six months ended 31 December 2018 Unaudited[1]			Year ended 30 June 2019[1]		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Revenue	7	338.4	107.9	446.3	352.6	130.3	482.9	727.3	263.1	990.4
Cost of sales		(86.8)	(38.6)	(125.4)	(110.1)	(55.6)	(165.7)	(234.2)	(112.4)	(346.6)
Gross profit		251.6	69.3	**320.9**	242.5	74.7	**317.2**	493.1	150.7	**643.8**
Depreciation	15	(94.5)	(15.8)	(110.3)	(76.0)	(9.4)	(85.4)	(163.9)	(20.2)	(184.1)
Amortisation	14	(5.6)	(0.1)	(5.7)	(7.3)	(0.1)	(7.4)	(15.5)	(0.3)	(15.8)
Exceptional operating expenses	8	(3.7)	(8.5)	(12.2)	(1.3)	-	(1.3)	(11.1)	(1.4)	(12.5)
Other operating expenses		(46.0)	(9.3)	(55.3)	(47.7)	(8.9)	(56.6)	(100.7)	(15.9)	(116.6)
Total operating expenses		(149.8)	(33.7)	(183.5)	(132.3)	(18.4)	(150.7)	(291.2)	(37.8)	(329.0)
Other income		4.9	-	4.9	3.3	-	3.3	7.5	-	7.5
Operating profit		106.7	35.6	**142.3**	113.5	56.3	**169.8**	209.4	112.9	**322.3**

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

[1] Comparative information has been re-presented due to a discontinued operation (See note 19).

	Note	Six months ended 31 December 2019 Unaudited			Six months ended 31 December 2018 Unaudited[1]			Year ended 30 June 2019[1]		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Operating profit		106.7	35.6	**142.3**	113.5	56.3	**169.8**	209.4	112.9	**322.3**
Finance income	9	0.6	0.1	0.7	1.0	0.1	1.1	2.3	0.1	2.4
Finance costs	10	(180.3)	(6.9)	(187.2)	(181.3)	-	(181.3)	(354.9)	-	(354.9)
Other gains and losses	11	68.5	-	68.5	(27.9)	-	(27.9)	(37.1)	-	(37.1)
Profit / (loss) before tax		(4.5)	28.8	**24.3**	(94.7)	56.4	**(38.3)**	(180.3)	113.0	**(67.3)**
Tax	12	(10.4)	(5.7)	(16.1)	4.9	(9.1)	(4.2)	(8.7)	(18.1)	(26.8)
Profit / (loss) for the period		(14.9)	23.1	**8.2**	(89.8)	47.3	**(42.5)**	(189.0)	94.9	**(94.1)**
Attributable to:										
Owners of the company				8.0			(42.7)			(94.4)
Non-controlling interest				0.2			0.2			0.3
				8.2			**(42.5)**			**(94.1)**

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

[1] Comparative information has been re-presented due to a discontinued operation (See note 19).

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Profit / (loss) for the period		**8.2**	**(42.5)**	**(94.1)**
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain / (loss) on defined benefit pension schemes	28	4.1	(3.9)	(5.1)
Movement on deferred tax relating to pension schemes		(0.7)	0.7	0.9
		3.4	**(3.2)**	**(4.2)**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		-	(0.6)	2.5
		3.4	**(3.8)**	**(1.7)**
Total comprehensive income / (loss)		**11.6**	**(46.3)**	**(95.8)**
Attributable to:				
Owners of the Company		11.4	(46.5)	(96.1)
Non-controlling interest		0.2	0.2	0.3
Total comprehensive income / (loss)		**11.6**	**(46.3)**	**(95.8)**

All items of other comprehensive income relate to continuing operations.

Consolidated interim statement of financial position

	Note	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Non-current assets				
Goodwill	13	1,458.0	1,979.0	1,979.0
Other intangible assets	14	42.7	53.6	47.3
Property, plant and equipment	15	1,522.6	1,744.8	1,711.1
Deferred tax	17	152.0	204.9	197.7
Retirement benefits	28	31.8	22.9	22.0
Interest in associates and joint ventures		0.1	0.1	0.1
		3,207.2	**4,005.3**	**3,957.2**
Current assets				
Trade and other receivables	16	111.6	211.5	178.9
Contract assets	16	34.6	25.4	33.5
Cash and cash equivalents	18	19.7	9.8	14.9
		165.9	**246.7**	**227.3**
Assets held for sale	19	1,160.4	-	-
		1,326.3	**246.7**	**227.3**
Total assets		**4,533.5**	**4,252.0**	**4,184.5**
Current liabilities				
Borrowings	21	(617.0)	(159.5)	(514.1)
Trade and other payables	20	(1,366.1)	(1,293.6)	(1,347.7)
Contract liabilities	20	(91.5)	(123.2)	(176.6)
Provisions	23	(4.5)	(2.7)	(6.2)
		(2,079.1)	**(1,579.0)**	**(2,044.6)**
Liabilities directly associated with the assets held for sale	19	(388.8)	-	-
		(2,467.9)	**(1,579.0)**	**(2,044.6)**
Net current liabilities		**(1,141.6)**	**(1,332.3)**	**(1,817.3)**
Non-current liabilities				
Borrowings	21	(2,414.0)	(2,831.3)	(2,395.4)
Derivative financial instruments	22	(945.6)	(1,038.1)	(1,001.8)
Contract liabilities	20	(202.6)	(298.5)	(248.6)
Provisions	23	(71.3)	(67.2)	(73.6)
		(3,633.5)	**(4,235.1)**	**(3,719.4)**
Total liabilities		**(6,101.4)**	**(5,814.1)**	**(5,764.0)**
Net liabilities		**(1,567.9)**	**(1,562.1)**	**(1,579.5)**

	Note	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(1,532.7)	(1,491.4)	(1,544.1)
Capital contribution reserve		152.6	120.3	152.6
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(0.6)	(3.7)	(0.6)
Equity attributable to owners of the Company		**(1,569.1)**	**(1,563.2)**	**(1,580.5)**
Non-controlling interest		1.2	1.1	1.0
Total equity		**(1,567.9)**	**(1,562.1)**	**(1,579.5)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 February 2020 and were signed on its behalf by:

Frank Dangeard - Director

Consolidated statement of changes in equity

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2019	**0.1**	**152.6**	**(188.5)**	**(1,544.1)**	**(0.6)**	**(1,580.5)**	**1.0**	**(1,579.5)**
Profit for the period	-	-	-	8.0	-	8.0	0.2	8.2
Other comprehensive income	-	-	-	3.4	-	3.4	-	3.4
Total comprehensive income	-	-	-	11.4	-	11.4	0.2	11.6
Balance at 31 December 2019	**0.1**	**152.6**	**(188.5)**	**(1,532.7)**	**(0.6)**	**(1,569.1)**	**1.2**	**(1,567.9)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2018	**0.1**	**120.3**	**(188.5)**	**(1,445.5)**	**(3.1)**	**(1,516.7)**	**0.9**	**(1,515.8)**
(Loss) / profit for the period	-	-	-	(42.7)	-	(42.7)	0.2	(42.5)
Other comprehensive expense	-	-	-	(3.2)	(0.6)	(3.8)	-	(3.8)
Total comprehensive (loss) / income	-	-	-	(45.9)	(0.6)	(46.5)	0.2	(46.3)
Balance at 31 December 2018	**0.1**	**120.3**	**(188.5)**	**(1,491.4)**	**(3.7)**	**(1,563.2)**	**1.1**	**(1,562.1)**

	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 2018	**0.1**	**120.3**	**(188.5)**	**(1,445.5)**	**(3.1)**	**(1,516.7)**	**0.9**	**(1,515.8)**
(Loss) / profit for the year	-	-	-	(94.4)	-	(94.4)	0.3	(94.1)
Other comprehensive (expense) / income	-	-	-	(4.2)	2.5	(1.7)	-	(1.7)
Total comprehensive (loss) / income	-	-	-	(98.6)	2.5	(96.1)	0.3	(95.8)
Dividends paid	-	-	-	-	-	-	(0.2)	(0.2)
Representation of capital contribution – see note 12	-	16.4	-	-	-	16.4	-	16.4
Capital contribution	-	15.9	-	-	-	15.9	-	15.9
Balance at 30 June 2019	**0.1**	**152.6**	**(188.5)**	**(1,544.1)**	**(0.6)**	**(1,580.5)**	**1.0**	**(1,579.5)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Net cash inflow from operating activities	24	**199.8**	**205.0**	**486.7**
Investing activities				
Interest received		0.4	0.8	1.8
Purchase of tangible assets		(59.0)	(76.6)	(120.3)
Purchase of intangible assets		(1.0)	(1.2)	(2.5)
Sale of tangible assets		0.1	6.8	7.5
		(59.5)	**(70.2)**	**(113.5)**
Financing activities				
New external borrowings		105.0	41.0	625.0
Repayment of external borrowings		(84.4)	(63.8)	(737.2)
Movement in borrowings		20.6	(22.8)	(112.2)
Payment of lease liabilities (2018: Payment of finance lease liabilities)		(51.8)	(0.8)	(1.6)
Interest paid		(107.4)	(119.8)	(218.6)
Debt issue costs and facility arrangement fees		-	(7.7)	(7.7)
Redemption premium paid		-	(14.3)	(14.3)
Cash settlement of principal accretion on inflation-linked swaps		-	-	(44.3)
Cash inflow on redemption of swaps		3.1	1.6	1.6
		(135.5)	**(163.8)**	**(397.1)**
Increase / (decrease) in cash and cash equivalents	18	**4.8**	**(29.0)**	**(23.9)**

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 2019 were approved by the board of directors on 25 September 2019 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 2019 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2019 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. 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 European Union.

With the exception of IFRS 16, the accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2019. IFRS 16 *Leases* was effective for the Group from 1 July 2019, the modified retrospective approach was adopted on implementation and therefore comparative information has not been restated and continues to be reported under IAS17.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements and discloses the new accounting policies associated with IFRS 16 that have been applied from 1 July 2019.

The group has adopted IFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

<u>Adjustments recognised on adoption of IFRS 16</u>

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

	2019 £m
Right of use assets	335.3
Trade & other receivables	(30.4)
Trade & other payables	0.6
Lease liabilities	(305.5)

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

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

	2019 £m
Operating lease commitments disclosed at 30 June 2019	244.3
Impact of in-substance fixed payments included in lease liability	70.0
Adjustments as a result of different lease maturity profiles	93.8
Finance lease liabilities at 30 Jun 2019	12.4
Discounted using the lessee's incremental borrowing rate at the date of initial application	(102.6)
Lease liability recognised as at 1 July 2019	**317.9**
Of which are:	
Current lease liabilities	53.3
Non-current lease liabilities	264.6
	317.9

Practical expedients taken

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

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

Policy applicable from 1 July 2019

As a lessee

When the Group enters into a lease a 'right of use asset' is recognised for the leased item and a lease liability is recognised for any lease payments due at the lease commencement date. The right of use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease.

Right of use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options.

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment (as described in the Group's Annual Report and Accounts for the year ended 30 June 2019). If right of use assets are considered to be impaired, the carrying value is reduced accordingly.

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

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

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 2019 with the exception of the new IFRS 16 accounting policy as explained above. This has resulted in the following additional areas of significant judgement and estimation uncertainty:

Lease identification

For most contracts there is limited judgement in determining whether an agreement contains a lease; however, the change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Judgement is sometimes required to determine whether the Group controls the asset and has a lease under IFRS 16.

In-substance fixed payments

Some lease contracts include elements of consideration which are fixed and variable. For these contracts judgement is required to determine to what extent any of the variable consideration is in substance fixed consideration according to IFRS 16. Where variable consideration is in substance fixed consideration it is included in the valuation of the lease liability and right of use asset.

Lease term

Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option (or other contractual rights) will be exercised or that a termination option will not be exercised by the Group. Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the leased asset's nature and purpose and potential for replacement and any plans that the Group has in place for future use of the asset.

The lease terms for land and buildings, subject to the non-cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and between 2 and 10 years, with terms at the top end of this range if the lease relates to assets that are critical to the delivery of major customer contracts.

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 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 2019 the Group had £19.7m cash and short term deposits available to cover short term cash flow timing differences if required, together with an undrawn capital expenditure facility of £250.0m. In addition, the Group has a £250.0m liquidity facility available to cover senior interest and accretion payments if required, which also remains undrawn. The Group also holds a Commitment Letter providing access to a £110.0m facility to assist solely with repayment of the £350.0m senior notes with expected maturity in June 2020, which cannot be drawn upon until 1 June 2020. Details of the debt maturity profile are provided in note 21.

Financing risk

The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place; our BBB ratings (from Standard & Poors and Fitch) which reflect our strong ability to raise cash and repay debt from our cash flows over a reasonable period of time; maintaining an active dialogue with lenders and investors; maintaining debt with a variety of medium and long term maturities to ensure no material concentration of refinancing risk; and aiming to complete any refinancing well in advance of the required maturity date.

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

Interest rate risk

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

Foreign exchange risk

The Group operates predominantly from UK sites and in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the overwhelming majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. From time to time, forward foreign exchange contracts are used to fix the exchange rate for anticipated net exposures. Cross currency swaps are used to fix the exchange rate in relation to US Dollar denominated private placement notes, forming an economic hedge. Details of the cross currency swaps are provided in note 22.

6 Going concern

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

7 Revenue and segmental information

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

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

Six months to 31 December 2019 - Unaudited	Media Networks £m	Telecoms & M2M £m	Total – continuing operations £m	Telecoms Discontinued operations £m	Total £m
Rendering of services	274.5	37.6	**312.1**	89.4	**401.5**
Engineering projects	20.3	-	**20.3**	18.5	**38.8**
Sale of goods	-	6.0	**6.0**	-	**6.0**
Total revenue	**294.8**	**43.6**	**338.4**	**107.9**	**446.3**

Six months to 31 December 2018 - Unaudited	Media Networks £m	Telecoms & M2M £m	Total – continuing operations £m	Telecoms Discontinued operations £m	Total £m
Rendering of services	287.7	38.8	**326.5**	116.3	**442.8**
Engineering projects	20.7	-	**20.7**	14.0	**34.7**
Sale of goods	-	5.4	**5.4**	-	**5.4**
Total revenue	**308.4**	**44.2**	**352.6**	**130.3**	**482.9**

Year ended 30 June 2019	Media Networks £m	Telecoms & M2M £m	Total – continuing operations £m	Telecoms Discontinued operations £m	Total £m
Rendering of services	571.5	104.2	**675.7**	235.2	**910.9**
Engineering projects	43.0	-	**43.0**	27.9	**70.9**
Sale of goods	-	8.6	**8.6**	-	**8.6**
Total revenue	**614.5**	**112.8**	**727.3**	**263.1**	**990.4**

Segmental reporting

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

- Media Networks; and
- Telecoms & M2M.

'Other' segment refers to our corporate business unit, which is non-revenue generating and therefore its performance is not viewed in the same way by the Group's CODM.

On 1 July 2019 the Terrestrial Broadcast and Satellite business units were merged into a single customer faced business unit, to be known as, Media Networks. The Networks team previously within the Corporate business unit also moved into the Media Networks business stream. The results for the comparative periods have been re-presented to reflect the change in operating segments.

Six months to 31 December 2019 (Unaudited)	Media Networks £m	Telecoms & M2M £m	Other £m	Consolidated £m
Revenue (including £107.9m in Telecoms and M2M relating to discontinued operations)	**294.8**	**151.5**	**-**	**446.3**
Segment result* (EBITDA) (including £60.3m in Telecoms and M2M relating to discontinued operations)	**203.5**	**84.1**	**(22.0)**	**265.6**
Depreciation and amortisation				(116.0)
Exceptional items				(12.2)
Other income				4.9
Operating profit from discontinued operations				(35.6)
Operating profit from continuing operations				**106.7**
Finance income				0.6
Finance costs				(180.3)
Other gains and losses				68.5
Loss before tax from continuing operations				**(4.5)**

Six months to 31 December 2018 (Unaudited)	Media Networks £m	Telecoms & M2M £m	Other £m	Consolidated £m
Revenue (including £130.3m in Telecoms and M2M relating to discontinued operations)	**308.4**	**174.5**	**-**	**482.9**
Segment result* (EBITDA) (including £65.9m in Telecoms and M2M relating to discontinued operations)	**193.6**	**89.2**	**(22.2)**	**260.6**
Depreciation and amortisation				(92.8)
Exceptional items				(1.3)
Other income				3.3
Operating profit from discontinued operations				(56.3)
Operating profit from continuing operations				**113.5**
Finance income				1.0
Finance costs				(181.3)
Other gains and losses				(27.9)
Loss before tax from continuing operations				**(94.7)**

Year ended 30 June 2019	Media Networks £m	Telecoms & M2M £m	Other £m	Consolidated £m
Revenue (including £263.1m in Telecoms and M2M relating to discontinued operations)	614.5	375.9	-	990.4
Segment result* (EBITDA) (including £134.7m in Telecoms and M2M relating to discontinued operations)	390.0	189.0	(51.7)	527.3
Depreciation and amortisation				(199.9)
Other operating expenditure excluded from measuring EBITDA				(0.1)
Exceptional items				(12.5)
Other income				7.5
Operating profit from discontinued operations				(112.9)
Operating profit from continuing operations				**209.4**
Finance income				2.3
Finance costs				(354.9)
Other gains and losses				(37.1)
Loss before tax from continuing operations				**(180.3)**

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

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

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Operating profit from continuing operations	**106.7**	**113.5**	**209.4**
Depreciation	*110.3*	*85.4*	*184.1*
Amortisation	*5.7*	*7.4*	*15.8*
Exceptional operating expenses	*12.2*	*1.3*	*12.5*
Profit from discontinued operations	*35.6*	*56.3*	*112.9*
Other income	*(4.9)*	*(3.3)*	*(7.5)*
Other	-	-	*0.1*
EBITDA	**265.6**	**260.6**	**527.3**

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

	Media Networks	Telecoms & M2M	Other	Consolidated
	£m	£m	£m	£m
Capital expenditure:				
For the six months ended 31 December 2019 (Unaudited)	23.0	16.8	20.2	**60.0**
For the six months ended 31 December 2018 (Unaudited)	40.5	21.6	15.7	**77.8**
For the year ended 30 June 2019	61.1	26.1	35.6	**122.8**

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 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
UK	442.1	476.7	978.8
Continental Europe	3.1	4.2	8.1
Rest of World	1.1	2.0	3.5
Total revenue	**446.3**	**482.9**	**990.4**

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

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
UK	3,021.3	3,774.2	3,735.2
Continental Europe	2.0	2.5	2.3
Rest of World	0.1	0.8	-
Total non-current assets	**3,023.4**	**3,777.5**	**3,737.5**

8 Exceptional items

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

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Operating expenses			
Reorganisation and severance	(2.6)	(3.6)	(13.5)
Corporate finance activities	(9.6)	0.3	(1.0)
Profit on disposal of assets	-	2.0	2.0
	(12.2)	**(1.3)**	**(12.5)**

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

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

Profit on disposal of assets relates to the sale of non-core assets (and the associated contracts) for In-Building Solutions, which was sold in October 2018.

9 Finance income

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Bank deposits	0.1	0.3	0.2
Finance lease interest receivable	-	-	0.3
Other loans and interest receivable	0.6	0.7	1.9
Dividends received	-	0.1	-
Total finance income	**0.7**	**1.1**	**2.4**

10 Finance costs

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Interest on bank overdrafts and loans	42.6	46.3	89.8
Other loan interest	57.8	62.8	121.2
Bank and other loan interest	**100.4**	**109.1**	**211.0**
Amortisation of debt issue costs	2.7	5.0	8.1
Interest on lease obligations	11.9	0.5	0.9
Interest payable to other group entities	61.2	55.7	112.9
Other interest	8.8	8.9	17.9
Total interest payable	**185.0**	**179.2**	**350.8**
Unwinding of discount on provisions (see note 23)	2.2	2.1	4.1
Total finance costs	**187.2**	**181.3**	**354.9**

11 Other gains and losses

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Foreign exchange gain / (loss) on financing	9.2	(7.9)	(9.1)
Fair value gain / (loss) on derivative financial instruments (see note 22)	59.3	(5.7)	(13.7)
Redemption premium on refinancing	-	(14.3)	(14.3)
Total other gains and losses	**68.5**	**(27.9)**	**(37.1)**

Foreign exchange gain / (loss) on financing arises on the revaluation of the Group's US dollar denominated debt (see note 21), although the Group has economically hedged these instruments with cross currency swaps.

12 Tax

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
UK Corporation tax:			
- Current year	0.2	0.6	(2.6)
- Representation of prior year amount (a)	-	-	16.4
- Prior year adjustment	-	-	1.8
Current year overseas tax	0.1	0.1	-
Total current tax charge / (credit)	0.3	0.7	15.6
Deferred tax (see note 17):			
- Origination and reversal of temporary differences	6.1	(6.0)	(9.2)
- Change in unrecognised deferred tax assets	9.7	9.5	21.8
- Prior period adjustment	-	-	(0.6)
- Impact of rate change	-	-	(0.8)
Total deferred tax	15.8	3.5	11.2
Total tax charge for the period	**16.1**	**4.2**	**26.8**
Income tax expense is attributable to:			
Profit from continuing operations	**10.4**	**(4.9)**	**8.7**
Profit from discontinued operations	**5.7**	**9.1**	**18.1**
	16.1	**4.2**	**26.8**

(a) The current tax credit in the year ending 30 June 2018 included a payment for the use of tax attributes within the wider Arqiva Group Limited group. Following completion of the financial statements of the Group's principal subsidiaries, it was determined that an element of this payment should be more appropriately presented as capital contribution. Accordingly, a representation of £16.4m, to treat the payment as a capital contribution, was reflected in the financial statements at 30 June 2019.

The tax charge/(credit) on ordinary activities is recognised based on management's estimate of the weighted average annual corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2020 is 26.8% (the estimated tax rate used at 31 December 2019 was 14.7%), excluding one-off tax adjustments such as prior period adjustments and the allocation of interest expense which is not deductible. The rate is different to the statutory rate mainly due to permanent differences which are not tax deductible.

The main rate of UK corporation tax was 19.0% during the period. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. UK deferred tax has been valued at 17.0% (31 December 2018: 17.0%; 30 June 2019: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

The current tax charge in the period ended 31 December 2019 represents payments for corporation tax group relief surrendered by other companies within the Arqiva Group Limited corporation tax group to companies within the Arqiva Broadcast Parent Limited group of consolidated companies. This group relief is paid for at the UK corporation tax rate of 19%.

13 Goodwill

	£m
Cost:	
At 1 July 2019	1,979.4
Assets classified as held for sale	(521.0)
At 31 December 2019	**1,458.4**
Accumulated impairment losses:	
At 1 July 2019	0.4
At 31 December 2019	**0.4**
Carrying amount:	
At 31 December 2019 (Unaudited)	**1,458.0**
At 31 December 2018 (Unaudited)	1,979.0
At 30 June 2019	1,979.0

14 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2019	15.5	20.7	15.4	100.2	151.8
Additions	-	1.0	-	-	1.0
Transfers from AUC (note 15)	0.8	0.1	-	0.3	1.2
Disposals	-	(1.0)	-	-	(1.0)
Assets classified as held for sale	(2.6)	-	-	-	(2.6)
At 31 December 2019	**13.7**	**20.8**	**15.4**	**100.5**	**150.4**
Accumulated amortisation					
At 1 July 2019	7.1	9.2	15.4	72.8	104.5
Charge for the period	0.9	1.0	-	3.8	5.7
Disposals	-	(1.0)	-	-	(1.0)
Assets classified as held for sale	(1.5)	-	-	-	(1.5)
At 31 December 2019	**6.5**	**9.2**	**15.4**	**76.6**	**107.7**
Carrying amount					
At 31 December 2019 (Unaudited)	**7.2**	**11.6**	**-**	**23.9**	**42.7**
At 31 December 2018 (Unaudited)	9.0	13.9	-	30.7	53.6
At 30 June 2019	8.4	11.5	-	27.4	47.3

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 2019	342.2	153.8	2,228.7	96.0	2,820.7
Recognition of right-of-use asset on initial application of IFRS 16	-	272.4	62.9	-	335.3
Adjusted balance at 1 July 2019	342.2	426.2	2,291.6	96.0	3,156.0
Additions	-	109.9	1.3	52.5	163.7
Completion of AUC	3.3	1.1	33.4	(37.8)	-
Transfers to intangibles (Note 14)	-	-	-	(1.2)	(1.2)
Disposals	-	-	(37.4)	-	(37.4)
Derecognition of Right of Use Assets	-	(11.2)	(1.1)	-	(12.3)
Assets classified as held for sale	(36.5)	(397.5)	(431.6)	(9.7)	(875.3)
At 31 December 2019	**309.0**	**128.5**	**1,856.2**	**99.8**	**2,393.5**
Accumulated depreciation					
At 1 July 2019	48.8	64.3	996.5	-	1,109.6
Charge for the period	3.2	16.7	90.4	-	110.3
Disposals	-	-	(37.3)	-	(37.3)
Assets classified as held for sale	(9.0)	(59.5)	(243.2)	-	(311.7)
At 31 December 2019	**43.0**	**21.5**	**806.4**	**-**	**870.9**
Carrying amount					
At 31 December 2019 (Unaudited)	**266.0**	**107.0**	**1,049.8**	**99.8**	**1,522.6**
At 31 December 2018 (Unaudited)	295.9	91.0	1,266.1	91.8	1,744.8
At 30 June 2019	293.4	89.5	1,232.2	96.0	1,711.1

16 Trade and other receivables

	31 December 2019 Unaudited	31 December 2018 Unaudited	30 June 2019
	£m	£m	£m
Trade receivables	63.4	92.0	85.7
Amounts receivable from other group entities	15.3	46.1	35.4
Other receivables	2.9	7.5	4.5
Prepayments	28.5	64.1	51.6
Amounts receivable from finance lease arrangements	1.5	1.8	1.7
	111.6	**211.5**	**178.9**
Contract assets	**34.6**	**25.4**	**33.5**

17 Deferred tax

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Deferred tax asset	**160.3**	**208.8**	**201.4**
Deferred tax liability	**8.3**	**3.9**	**3.7**

The net deferred tax asset of £152.0m comprises tax losses of £14.6m, derivative financial instruments of £138.3m, other temporary differences of £2.0m and a deferred tax liability on fixed asset temporary differences of £2.9m.

18 Cash and cash equivalents

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Cash at bank	8.9	6.9	6.3
Short term deposits	10.8	2.9	8.6
Total cash and cash equivalents	**19.7**	**9.8**	**14.9**

19 Disposal group held for sale and discontinued operations

On 8 October 2019, management committed to a plan for the sale of its' telecoms infrastructure and related assets at an enterprise value of £2.0bn, subject to clearance from the regulatory authorities. Accordingly, the telecoms business is presented as a disposal group held for sale. The process for selling the disposal group has started and a sale is expected to complete in 2020.

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

Assets and liabilities of disposal group held for sale

	Note	31 December 2019 Unaudited £m
Goodwill		521.0
Property, plant and equipment		563.6
Intangible assets		1.1
Trade and other receivables		28.4
Contract assets		17.2
Deferred tax		29.1
Assets held for sale		**1,160.4**
Lease liabilities		250.4
Trade and other payables		38.6
Contract liabilities		94.4
Provisions		5.4
Liabilities held for sale		**388.8**

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

20 Trade and other payables

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Current			
Trade payables	36.3	43.0	47.5
Amounts payable to other group entities	1,236.6	1,132.0	1,181.8
Taxation and social security	17.9	27.9	20.6
Other payables	3.4	11.1	5.3
Accruals	71.9	79.6	92.5
Total current trade and other payables	**1,366.1**	**1,293.6**	**1,347.7**
Contract liabilities	**91.5**	**123.2**	**176.6**
Non-Current			
Contract liabilities	**202.6**	**298.5**	**248.6**

21 Borrowings

		31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Within current liabilities:				
Bank loans				
- *Senior debt*	*Sterling denominated*	-	-	20.0
Lease liabilities (2018: Finance lease obligations)	*Sterling denominated*	20.0	0.7	0.8
Bank facility	*Sterling denominated*	140.0	71.0	35.0
Senior bonds and notes (amortising)	*Sterling denominated*	415.4	58.1	413.8
	US dollar denominated	31.3	19.7	29.6
Accrued interest on junior and senior financing[1]	*Sterling denominated*	10.3	10.0	14.9
Borrowings due within one year		**617.0**	**159.5**	**514.1**
Within non-current liabilities:				
Bank loans		**368.8**	**427.6**	**368.3**
- *Senior debt*	*Sterling denominated*	*370.0*	*430.0*	370.0
- *Issue costs*	*Sterling denominated*	*(1.2)*	*(2.4)*	(1.7)
Other loans		**1,894.6**	**2,346.6**	**1,970.3**
- *Senior bonds and notes*	*Sterling denominated*	*1,069.6*	*1,485.1*	1,116.0
	US dollar denominated	*212.2*	*251.5*	242.8
- *Junior bonds*	*Sterling denominated*	*625.0*	*625.0*	625.0
- *Issue costs*	*Sterling denominated*	*(12.1)*	*(15.0)*	(13.5)
Amounts payable to other group entities	Sterling denominated	**45.2**	**45.2**	**45.2**
Lease liabilities (2018: Finance lease obligations)	Sterling denominated	**105.3**	**11.9**	**11.6**
Borrowings due after more than one year		**2,414.0**	**2,831.3**	**2,395.4**

[1] The balance at 31 December 2019 is shown net of £1.3m (31 December 2018: £1.5m; 30 June 2019 £7.6m) interest receivable under swap arrangements associated with the underlying financing.

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Analysis of total borrowings by currency:			
Sterling	2,787.5	2,719.7	2,637.1
US Dollar	243.5	271.2	272.4
Total borrowings	**3,031.0**	**2,990.9**	**2,909.5**

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 £949.2m (31 December 2018: £965.4m; 30 June 2019: £965.7m) whilst their carrying amount was £860.7m (31 December 2018: £887.3m; 30 June 2019: £874.0m).

The fair value of the junior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £667.4m (31 December 2018: £628.6m; 30 June 2019: £673.2m) whilst their carrying value was £625.0m (31 December 2018: £625.0m; 30 June 2019: £625.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £411.0m (31 December 2018: £458.1m; 30 June 2019: £456.1m) whilst their carrying amount was £389.4m (31 December 2018: £434.1m; 30 June 2019: £429.8m).

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 7.16% (31 December 2018: 7.30%; 30 June 2019: 7.31%).
An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Borrowings fall due within:			
One year	606.7	149.5	514.1
One to five years	1,632.4	1,722.2	1,523.2
More than five years	794.9	1,126.5	887.4
Total	**3,034.0**	**2,998.2**	**2,924.7**

Included within borrowings due within one year are annual amortising debt repayments together with £350m of senior notes with an expected maturity of June 2020. The Group is confident that the senior notes will be refinanced when required or that existing undrawn facilities, together with the Commitment Letter obtained for an additional £110.0m facility, will be used to repay the notes.

The notes have an expected maturity of June 2020 and have therefore been disclosed as falling due within one year, there is however provision for this debt instrument to remain beyond the expected maturity and the legal backstop maturity of the notes is 2035.

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

Senior debt includes a bank term loan with £nil outstanding (31 December 2018: £60.0m; 30 June 2019: £20.0m; an institutional term loan with £180.0m outstanding (31 December 2018: £180.0m; 30 June 2019: £180.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £190.0m outstanding (31 December 2018: £190.0m; 30 June 2019: £190.0m) with an expected maturity date of June 2024 and capital expenditure and working capital facilities with £140.0m outstanding (31 December 2018: £71.0m; 30 June 2019: £35.0m) with an expected maturity date of June 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. In September 2019, the Group obtained a Commitment Letter providing access to a £110.0m facility which can be drawn upon should the Group fail to refinance £350.0m of senior notes that have an expected maturity of 30 June 2020. This facility is available solely for the purpose of repayment of these senior notes, with notification of utilisation required by 15 May 2020 and funds to be released and repaid between 1 June 2020 and 31 March 2021. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £500.0m (31 December 2018: £569.0m; 30 June 2019: £605.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 5.

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

As at 31 December 2019, the Group has £860.7m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds have scheduled amortisation between December 2019 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £478.5m (31 December 2018: £498.5m; 30 June 2019: £498.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2019 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has £389.4m (31 December 2018: £428.4m; 30 June 2019: £429.8m) of fixed rate US private placements in sterling and US dollar denominated notes. At the hedged rate these are valued at £356.7m (31 December 2018: £384.6m; 30 June 2019: £384.6m). These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2019 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

Junior bonds of £625.0m (31 December 2018: £625m; 30 June 2019: £625m) represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 6.75% and are repayable in September 2023. These notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

22 Financial instruments

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

The weighted average interest rate of fixed rate financial liabilities at 31 December 2019 was 5.3% (31 December 2018: 5.3%; 30 June 2019: 5.3%). The weighted average period of funding was 4.2 years (31 December 2018: 5.2 years; 30 June 2019: 4.6 years).

Within the Group's financial liabilities were borrowings of £3,034.0m excluding issue costs and accrued interest (31 December 2018: £2,998.2m; 30 June 2019: £2,894.6m) (see note 21), which includes £988.5m (31 December 2018: £999.5m; 30 June 2019: £923.5m) 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 £853.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.8%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 21).

The Group has also entered into index linked swaps (notional amount of £1,312.5m) where it receives floating and pays fixed interest obligations to an average rate of 2.939% 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, however £235.0m of these have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 320.4m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 31 December 2019 excluding the inflation swap principal accretion of £38.4m (31 December 2018: £37.8m; 30 June 2019: £nil), is a liability of £907.2m (31 December 2018: £1,000.3m; 30 June 2019: £1,001.8m). 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, inflation rate swaps, swap options and cross-currency 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 within non-current liabilities:

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Interest rate swaps	(255.5)	(274.2)	(275.9)
Inflation-linked interest rate swaps (including principal accretion of £38.4m; 31 December 2018: £37.8m; 30 June 2019: £nil)	(717.9)	(798.5)	(767.4)
Cross-currency swaps	27.8	34.6	41.5
Total	**(945.6)**	**(1,038.1)**	**(1,001.8)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	74.8	(9.8)	(7.9)
- Attributable to changes in perceived credit risk	(15.5)	4.1	(5.8)
Total profit/(loss) recognised in the income statement	**59.3**	**(5.7)**	**(13.7)**
Cash settlement of principal accretion on inflation-linked swaps	-	-	44.3
Cash inflow on redemption of swaps	(3.1)	(1.6)	(1.6)
Total change in fair value	**56.2**	**(7.3)**	**29.0**

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

23 Provisions

	Decommissioning £m	Restructuring £m	Remediation and maintenance £m	Other £m	Total £m
At 1 July 2019	68.5	3.8	5.3	2.2	79.8
Unwind of discount (note 10)	2.1	-	0.1	-	2.2
Utilised	(0.1)	(0.7)	(0.2)	-	(1.0)
Released to income statement	(0.3)	-	-	-	(0.3)
Charged to income statement	0.3	-	-	0.2	0.5
Provisions held for sale	(5.4)	-	-	-	(5.4)
At 31 December 2019 (Unaudited)	**65.1**	**3.1**	**5.2**	**2.4**	**75.8**
At 31 December 2018 (Unaudited)	62.5	0.2	5.2	2.0	69.9
At 30 June 2019	68.5	3.8	5.3	2.2	79.8

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Analysed as:			
Current	4.5	2.7	6.2
Non-current	71.3	67.2	73.6
	75.8	**69.9**	**79.8**

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Operating profit	142.3	169.8	322.3
Adjustments:			
Depreciation of property, plant and equipment	110.3	85.4	184.1
Amortisation of intangible assets	5.7	7.4	15.8
Profit on disposal of property, plant and equipment	-	-	(0.1)
Other income	(4.9)	(3.3)	(7.5)
Operating cash flows before movements in working capital	**253.4**	**259.3**	**514.6**
(Increase) / decrease in receivables	(25.9)	32.0	48.8
Decrease in payables	(27.0)	(85.9)	(79.2)
(Decrease) / increase in provisions	(0.8)	(0.3)	2.7
Cash generated from operating activities	**199.7**	**205.1**	**486.9**
Taxes paid	0.1	(0.1)	(0.2)
Net cash inflow from operating activities	**199.8**	**205.0**	**486.7**

Analysis of changes in financial liabilities:

	At 1 July 2019 £m	Changes in financing cash flows (Cash) £m	Changes in foreign exchange (Non-cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 31 December 2019 £m
Current borrowings (Note 21)	499.2	(23.4)	-	-	141.2	617.0
Non-current borrowings (Note 21)	2,395.40	-	(8.9)	-	27.5	2,414.0
Accrued interest on borrowings (Note 21)	14.9	(107.4)	(0.3)	-	103.1	10.3
Derivative financial instrument Liabilities (Note 22)	1,001.80	3.1	-	(59.3)	-	945.6
Total	**3,911.30**	**(127.7)**	**(9.2)**	**(59.3)**	**271.8**	**3,986.9**

25 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Within one year	18.5	37.8	25.7
Within two to five years	-	0.1	0.7
Total capital commitments	**18.5**	**37.9**	**26.4**

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

26 Leases

Leases as lessee (IFRS 16)

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

Right of use assets

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

	Leasehold buildings £m	Plant and equipment £m	Total £m
Balance at 1 July 2019	277.1	63.2	340.3
Depreciation charge for the year	(14.9)	(7.6)	(22.5)
Additions to right of use assets	109.8	-	109.8
Derecognition of right of use assets	(11.2)	(1.1)	(12.3)
Balance at 31 December 2019	**360.8**	**54.5**	**415.3**

Amounts recognised in the Income Statement

Leases under IFRS 16	Six months to 31 December 2019 Unaudited £m
Interest on lease liabilities	11.5

Operating leases under IAS 17	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Lease expense	-	33.0	67.7

Amounts recognised in the cashflow statement

	Six months to 31 December 2019 Unaudited £m
Total cash outflow for leases	51.8

27 Related party transactions

Balances and transactions between Group entities, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 28.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date.

The Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services			Purchase of goods and services		
	Six months to 31 December 2019 £m	Six months to 31 December 2018 £m	Year ended 30 June 2019 £m	Six months to 31 December 2019 £m	Six months to 31 December 2018 £m	Year ended 30 June 2019 £m
Associates	-	-	-	3.2	3.1	6.3
Joint ventures	2.1	1.7	3.9	1.3	1.1	2.5
Entities under common influence	-	-	-	-	0.2	-
Other group entities	27.5	29.2	72.1	-	-	-
	29.6	**30.9**	**76.0**	**4.5**	**4.4**	**8.8**

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.

In addition, the Group received £nil (31 December 2018: £0.1; 30 June 2019: £0.2m) of dividends from associates and joint ventures in which it holds an investment.

As at 31 December 2019, the amount payable to joint ventures was £nil (31 December 2018: £0.4m; 30 June 2019: £0.2m).

As at 31 December 2019, the amount receivable from associates was £nil (31 December 2018: £nil; 30 June 2019: £0.3m) and the amount payable to associates was £nil (31 December 2018: £0.2m; 30 June 2019: £0.4m).

As at 31 December 2019, the amount receivable from entities under common influence was £nil (31 December 2018: £0.2m; 30 June 2019: £nil).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 29) are set out in notes 16, 20 and 21.

28 Retirement benefits

Defined benefit scheme

In the period to 31 December 2019, 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 19 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2017 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates from the triennial valuation figures.

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

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Components of defined benefit finance income recognised in profit or loss	(0.3)	(0.3)	(0.6)
	(0.3)	**(0.3)**	**(0.6)**

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 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Return on Plan assets excluding Interest Income	2.5	(8.4)	20.2
Experience gains arising on the Plan's liabilities	-	-	0.2
Actuarial gains/(losses) arising from changes in financial assumptions	1.6	4.5	(24.8)
Actuarial losses arising from changes in demographic assumptions	-	-	(0.7)
	4.1	**(3.9)**	**(5.1)**

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 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Fair value of Plan assets	266.1	230.6	259.4
Present value of Plan liabilities	(234.3)	(207.7)	(237.4)
Surplus	**31.8**	**22.9**	**22.0**

29 Controlling parties

The Company's immediate parent undertaking is Arqiva Financing No 3 Plc ('AF3'). Arqiva Group Limited ('AGL') is the ultimate UK parent undertaking and is the largest Group in which these financials are consolidated.

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

Arqiva Group Parent Limited

Registered number 08085823

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2019

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Interim financial report

The Directors of Arqiva Group Parent Limited ('AGPL'), registered company number 08085823, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2019.

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 telecommunications infrastructure;
- the ability of the Group to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- the Group's dependency on only a limited number of key customers for a large percentage of its revenue; and
- expectations as to revenues not under contract.

Business overview

Arqiva is one of the UK's leading communications infrastructure and media services providers, with significant investments in essential communications infrastructure. The Group is the sole terrestrial broadcast network provider in the UK and the leading independent telecom towers operator, with the latter part going through a sales process as outlined in this report. The Group's core infrastructure business (comprising terrestrial broadcast, digital platforms, satellite infrastructure, machine-to-machine and wireless site-share) 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 £4.5bn as at 30 June 2019.

Recent Developments since 30 June 2019

<u>Sale of Towers business</u>

On 8 October 2019, Arqiva announced that it had reached an agreement to sell its Telecoms division to Cellnex for £2.0bn. The transaction will include c. 7,400 sites and the contractual rights to market a further c. 900 sites across the UK.

The transaction is expected to close in mid-2020 (subject to a Competition and Markets Authority (CMA) Phase One clearance), and the Group continues to work towards this, on business separation and the Competition and Markets Authority (CMA) process, for example. The majority of the sales proceeds will be used to repay senior debt and swaps, to further strengthen the capital structure of the remaining business and the Group will engage with the appropriate stakeholders in due course.

The remaining business will consist of the Media Networks business (comprising Terrestrial Broadcast TV and Radio, Digital Platforms and Satellite products) and the Group's Machine-to-Machine (M2M) business.

<u>Media Networks (formerly Terrestrial Broadcast and Satellite and Media)</u>

Consolidation of Terrestrial Broadcast and Satellite and Media

The consolidation of Terrestrial Broadcast and Satellite and Media into the newly formed Media Networks business unit was successfully completed at the start of the financial year.

Reduced focus on Playout and closure of Occasional Use
Following the closure of our traditional Occasional Use satellite distribution business on 30 June 2019, we also continue to progress our plans to exit the playout market by the end of calendar year 2020 and this remains on track. To date, we have run down a major live sports playout contract from our Feltham operation and a second large contract is on track to leave by the end of March 2020. These traditional satellite Occasional Use and Playout businesses were relatively subscale areas providing minimal contribution to the Group's overall earnings and cashflow.

700 MHz Clearance and DTT spectrum
The 700 MHz Clearance project remains on track to complete the last Clearance Event by spring 2020. The scope of the project is to clear the 700MHz spectrum band (694 MHz to 790 MHz) of DTT use, so that it can be auctioned by Ofcom and used for mobile data. The overall programme is expected to complete by late 2021 which will include final reinstatement of sites. The Group continues to earn revenues and cash flows as delivery milestones are successfully completed. At 31 December 2019, 89% of Clearance events had been successfully completed and 407 relay antennas had been completed out of 416 across the whole country.

Digital Platforms channel utilisation
During the quarter, the Group successfully renewed and upgraded a number of channels within Digital Platforms. The CBS Drama contract was renewed and both Smithsonian and PBS America were upgraded, moving from the interim DVB-T2 multiplexes to the main national DVB-T multiplexes which give them improved reach and coverage.

Arqiva's main (DVB-T) multiplexes remain highly utilised with 96% of capacity sold as at 31 December 2019. The Group continues to review all opportunities and is in discussions with a number of customers regarding the sale of the unutilised capacity.

Digital Platforms DVB-T2 multiplexes
The Group's current interim DVB-T2 multiplex licences will end in June 2020. We are expecting to be issued a new licence that is likely to be on a rolling one month notice period. Discussions are ongoing with Ofcom to secure more DVB-T2 licence assurance for our customers.

Digital radio (DAB)
DAB listening continues with the current figures from industry data provider RAJAR showing that 56.8% of listening is now to digital radio platforms (Q3 2019). Listening to national commercial radio is showing particularly strong growth. Arqiva is marketing capacity for a further national station and expects to complete the contract during this quarter. At that point Sound Digital will be at 100% occupancy. The other national commercial DAB multiplex, Digital One (100% owned by Arqiva) is already at 100%. We continue to market unused capacity on the 23 local DAB multiplexes owned by Arqiva and occupancy has again increased year-on-year.

The Government's review of the UK's transition to digital radio listening continues. Arqiva has been working directly with other stakeholders and the expectation remains that the review will be completed within the next twelve months of the date of this report.

<u>Telecoms & M2M</u>

Small cells and pilot network
Whilst the UK small cells market remains in its early stages, demand continues to grow and Arqiva anticipates new scale orders in the coming months. Arqiva has several hundred small cells deployed and operational across London and three out of the four UK mobile network operators (MNOs) have deployed small cells on Arqiva managed street assets. All of our London concessions now have live services or orders placed against them. The service is equally suitable for 5G as it is for 4G.

In addition to the above, the Group's 4G / 5G small cells pilot in the London Borough of Hammersmith & Fulham, which will also involve the creation of a 15km high density fibre network, now has a number of live sites as planned.

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

Smart energy metering rollout
The Group's smart metering communication network in the North of England and Scotland currently covers 99.4% of premises and is planned to reach final coverage of 99.5% by summer 2020. The customer, the Data Communications Company (DCC), continues to submit change requests that reflect new industry requirements with the next major release planned for March/April. The Group expects change requests to continue during this financial year, but at a reduced volume compared to the previous period.

The Group continues to support the DCC and their users ahead of meter rollout programmes. DCC has noted that as of October 2019 there were 2.5 million SMETS2 meters on the national network and whilst the rollout completion date is likely to be extended from the end of 2020 to the end of 2024, this extension is reflective of the time needed by energy suppliers and their meter installation teams. Arqiva continues to work proactively with DCC, BEIS and other service providers to minimise any effects.

Smart water metering rollout – Thames Water
Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 31st December 2019, there were over 455,000 meters installed and with nearly 10 million meter readings being delivered per day, it is the largest smart water metering network in the UK. The network comprised 105 sites out of the 106 required for full network coverage across the entire Thames Water London region with completion expected early 2020.

Smart water metering trial contracts – Anglian Water
Since June 2016, Arqiva has been operating smart water metering trials for Anglian Water in two of their regions. These trials are part of Anglian Water's strategy for a long-term smart metering programme and the delivery of our service has enabled Anglian to realise the significant benefits of improved leakage detection and consumer engagement, whilst also informing their business plans. As at 31st December 2019, over 17,500 meters were operational under these trials and Anglian Water has seen 358,000 litres less customer leakage per day. In March, Anglian will be concluding a procurement process for a smart network across their supply area, pivotal for the delivery of their next five year business plan and beyond.

Smart water metering regulatory update
The water industry regulator, Ofwat, provided its Final Determinations during December 2019, as part of its regulatory review process. These Determinations, which will form the basis of companies' five year business plans, in general positively acknowledge the benefits of Smart Metering as an effective tool to reduce leakage and per capita consumption. This acknowledgement reinforces Arqiva's strategy and approach of delivering services at scale in this area.

<u>Other</u>

Transformation update
The Group's company-wide transformation programme, 'FutureFit', has now moved into its integrated system design and delivery phase across all areas of change. Through FutureFit, Arqiva continues to standardise and streamline its processes, rationalising and modernising IT systems to achieve significant efficiencies, increased speed to market and improved customer service.

We continue to invest in new technologies to optimise our capabilities, secure our infrastructure and digitise our ways of working with the deployment of an integrated digital and mobile workplace. We have now completed a full Arqiva wide migration to a mobile enabled workforce with digital collaboration tools and capabilities. We are making further investments in our Service and Site Management platforms that underpin our customer and partner relationships, network management and our financial ERP systems as well as a complete overhaul of our data management capability. Planning for the first deployments began in January.

Management update
In January 2020, Arqiva appointed Shuja Khan to a newly created role of Chief Operating Officer (COO). Shuja will be leading the review and implementation of the Group's new operating model that will be required to support the business post the telecoms sale completion. Shuja brings broad experience across both the broadcast and telecoms sectors and has held similar senior roles at Cable and Wireless, Virgin Media and Liberty Global.

Also, in January, Alex Pannell took on shared responsibility for the M2M business in addition to his current responsibilities in Media Networks as Commercial Director. The M2M business will remain with Arqiva following the sale of the Telecoms business and a smooth handover for this important and growing area of our business has commenced.

Financial results

The following table summarises the headline financials for the period:

	Six Months Ended 31 December 2019	Six Months Ended 31 December 2018	% Change
	(Unaudited) £ millions		
Media Networks	294.8	308.4	(4.4)%
Telecoms & M2M[1]	151.5	174.5	(13.2)%
Total Group revenue	**446.3**	**482.9**	**(7.6)%**
Media Networks	203.5	193.6	5.1%
Telecoms & M2M	84.1	89.2	(5.7)%
Other[2]	(21.9)	(22.2)	(1.4)%
Total EBITDA (excluding exceptional items)	**265.7**	**260.6**	**2.0%**
Net cash inflow from operating activities	199.9	205.4	(2.7)%
Net capital expenditure	(60.0)	(77.8)	(22.9)%
Net financial investment	0.1	6.8	(98.5)%
Operating cash flow after capital and financial investment activities	**140.0**	**134.4**	**4.2%**

Media Networks implementation

On 1 July 2019 the Terrestrial Broadcast and Satellite business units were merged into a single customer facing business unit, to be known as, Media Networks. The Networks team previously within the Corporate business unit also moved into the Media Networks business stream. The segmental results for the comparative periods have been re-presented to reflect the change in operating segments.

Income Statement

Revenue

For the six month period ended 31 December 2019, revenue for the Group was £446.3m, a decrease of 7.6% from the prior year. Included within revenue is £107.9m (31 December 2018: £130.3m) associated with discontinued operations related to the Group's telecoms infrastructure and related assets which are planned to be sold, as announced in October 2019. Revenue from continuing operations has decreased 4.0%.

Media Networks

Revenue for the Group's Media Networks business during the six month period ended 31 December 2019 was £294.8m, representing a 4.4% decrease from £308.4m in the prior year period. This decrease has been driven by reduced utilisation on the main (DVB-T) multiplexes owing to a small number of customers reviewing their channel portfolios, although utilisation at 31 December 2019 was 96%. Further decrease was due to continued market pressures in a competitive Satellite market and lower revenue from traditional Occasional Use satellite distribution following the Group's decision to fully exit from this market. These decreases have been partially offset through inflation linked increases on broadcast contracts and a greater volume of engineering projects.

Telecoms & M2M

Telecoms & M2M revenues have decreased 13.2% from £174.5m to £151.5m year on year. The decrease was primarily driven by one off contractual fees incurred on legacy contracts within the core telecoms towers business. This has been

[1] For the avoidance of doubt, the Smart Metering machine-to-machine ('M2M') financials included in this report refer solely to the AGPL financials.

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

partially offset by an increase in revenues from Installation Services with the start of 5G rollout. Revenues from the M2M business have remained broadly consistent year on year.

EBITDA

For the six months ended 31 December 2019 EBITDA (as defined in Note 3) for the Group excluding exceptional items was £265.7m, representing a 2.0% increase from £260.6m in the prior year period. This increase is as a result of a reduction in cost of sales following the implementation of the new accounting standard IFRS 16 *Leases* in the current year. IFRS 16 was implemented on 1 July 2019 with the capitalisation of leases on the balance sheet as right-of-use assets and therefore reducing the rent expense incurred in the income statement (see note 3 for further information). This increase to EBITDA has been partially offset by decreases in other areas and changes in product mix as explained above.

EBITDA for the Group including exceptional items charged to operating profit was £253.5m, a decrease of 2.2% compared with the prior year period result of £259.3m.

Media Networks

EBITDA for the Group's Media Networks business during the six month period ended 31 December 2019 was £203.5m, representing a 5.1% increase from £193.6m in the prior year period. The growth was mainly due to a reduction in rent due to the accounting treatment of leases. This increase has been partially offset by the wind down of traditional Occasional Use, reducing revenue and costs. Additionally, cost savings have been achieved through a reduction in headcount following the merger of business units into the Media Networks structure.

Telecoms & M2M

EBITDA for the Group's Telecoms & M2M business during the six month period ended 31 December 2019 was £84.1m, a 5.7% decrease from the prior year figure of £89.2m. This has been driven by increases to EBITDA from the IFRS 16 treatment of leases offset by the revenue reductions explained above. Margins are further impacted by the phasing of programmes such as Installation Services.

Other

EBITDA for the Other business unit, which reflects the Group's corporate business unit, has seen costs decrease from £22.2m to £21.9m.

Depreciation

Depreciation for the Group during the six month period ended 31 December 2019 was £110.3m, an increase of 29.2% from the prior year period figure of £85.4m. £22.5m of the increase is in relation to the implementation of IFRS 16 with the capitalisation of right-of-use assets on the statement of financial position at 1 July 2019 and therefore creating a higher cost base for depreciation in the current year. Further increases are due to an increase in the underlying tangible asset base of the Group and the accelerated depreciation on certain assets (particularly in connection with assets replaced under the 700MHz Clearance Programme).

Amortisation

Amortisation for the Group during the six month period ended 31 December 2019 was £5.7m, compared to the prior year period figure of £7.4m. The decrease was due to one off accelerated amortisation of certain assets linked to the Groups IT transformation recognised in the prior year period.

Exceptional operating expenses

Exceptional operating expenses for the Group during the six month period ended 31 December 2019 were £12.2m versus £1.3m during the prior year period. Exceptional items charged to operating profit in the current year predominantly relate to transaction costs associated with one off projects including costs in relation to the planned divestment of the Telecoms towers business.

Net bank and other loan interest

Net bank and other loan interest for the Group for the six month period was £79.4m compared to £84.3m in the prior year period. This decrease was as a result of the repayment of debt principal made during the year.

Other interest

Other interest for the Group for the six month period was £24.7m, compared to £14.0m in the prior year period[3]. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest. The

[3] Other interest refers to non-cash interest items including interest on lease obligations, amortisation of debt issue costs, and other interest as disclosed in note 10 to the financial statements.

increase from the prior year period is due to imputed interest on lease liabilities recognised in the current year period on the implementation of IFRS 16.

Interest payable to group undertakings

Interest payable to group undertakings for the six month period was £83.1m, compared to £77.1m in the prior year period. The increase is due to the additional interest on outstanding balances.

Other gains and losses

The Group reported £68.5m of other gains in the six month period (2018: £13.6m loss). Of the gains in the period, £9.2m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments. The cross-currency swaps provide an economic hedge to the Group's US$ denominated debt. A further £59.3m of gains were recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

Financial position

As at 31 December 2019 net liabilities for the Group were £1,408.8m, an increase of 0.4% from £1,403.6m in the prior year. The net liability position is primarily driven by the borrowings and derivative financial instruments held.

Cash flow

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

	Six months ended 31 December 2019 £m	Six months ended 31 December 2018 £m	Year ended 30 June 2019 £m
EBITDA	265.7	260.6	527.5
Exceptional items	(12.2)	(1.3)	(12.5)
Working capital	(53.7)	(53.8)	(27.6)
Other	0.1	(0.1)	(0.4)
Net cash inflow from operating activities	**199.9**	**205.4**	**487.0**

Net cash inflow from operating activities for the six month period ended 31 December 2019 was £199.9m compared to £205.4m for the prior year period, representing a 2.7% decrease. This decrease is driven by increased one off and exceptional costs in the year. The outflows have been offset by the accounting treatment under IFRS 16 with payments on lease liabilities now presented within financing activities.

Whilst the Group's business is not seasonal in nature, its working capital movements are, with the Group historically collecting a proportion of revenues annually in advance in the second half of the financial year. Annual staff bonus payments are made in the first half of the year. The working capital outflow for the six months to 31 December 2019 was driven by utilisation of cash received from customers in advance (decreasing deferred income contract liabilities) and timing of payments, typical with historical trends of the business as well as movements related to the implementation of IFRS 16.

Net capital expenditure in the six month period ended 31 December 2019 was £60.0m compared with £77.8m in the prior year period. The overall decrease in net capital expenditure and financial investment compared with the prior year period was principally owing to decreased expenditure on significant capital projects such as the 700MHz clearance programme as it progresses.

Operating cash flow after all capital and financial investment activities was £140.0m, compared to £134.4m in the prior year period, representing an increase of 4.2% principally driven by the reductions in capital expenditure and change in presentation of lease liability payments.

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, where network milestone B16 (99.4% network coverage) was achieved in December in line with our contractual obligations.
- 700MHz Clearance. As of 31 December 2019: 48 out of 54, (89%) Clearance Events and 1,012 out of 1,236 (82%) Site Visits have been completed. The programme remains on track to clear the 700MHz frequency by April 2020.

- Supporting infrastructure preparation works are progressing well with 98% (49 sites) of Main Station airworks and 97% (407 sites) of Relay Station airworks complete. In addition, Main Station groundworks have completed at 36% (32 sites).

Other 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 2019 (six months ended 31 December 2018: 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 2019, which is available from the Group's website at www.arqiva.com.

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

ISO certification
Arqiva holds ISO27001 certification in relation to its Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices. Arqiva has held this certification since 2013 and re-certifies every three years.

Cyber security
Arqiva holds certification to ISO/IEC 27001:2013 and Cyber Essentials. 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. Cyber Essentials is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since 2016 and recertifies annually.

Going concern
The Group adopts the going concern basis in preparing these interim financial statements based on the future cash flow forecasts of the Group and available cash and facilities. 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. The Group intends to divest its telecoms towers business during 2020 as previously announced.

On behalf of the Board

Frank Dangeard
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

25 February 2020

Consolidated interim income statement

		Six months ended 31 December 2019 Unaudited			Six months ended 31 December 2018 Unaudited[1]			Year ended 30 June 2019[1]		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Revenue	7	338.4	107.9	446.3	352.6	130.3	482.9	727.3	263.1	990.4
Cost of sales		(86.8)	(38.6)	(125.4)	(110.1)	(55.6)	(165.7)	(234.2)	(112.4)	(346.6)
Gross profit		251.6	69.3	**320.9**	242.5	74.7	**317.2**	493.1	150.7	**643.8**
Depreciation	15	(94.5)	(15.8)	(110.3)	(76.0)	(9.4)	(85.4)	(163.9)	(20.2)	(184.1)
Amortisation	14	(5.6)	(0.1)	(5.7)	(7.3)	(0.1)	(7.4)	(15.5)	(0.3)	(15.8)
Exceptional operating expenses	8	(3.7)	(8.5)	(12.2)	(1.3)	-	(1.3)	(11.1)	(1.4)	(12.5)
Other operating expenses		(45.9)	(9.3)	(55.2)	(47.7)	(8.9)	(56.6)	(100.5)	(15.9)	(116.4)
Total operating expenses		(149.7)	(33.7)	(183.4)	(132.3)	(18.4)	(150.7)	(291.0)	(37.8)	(328.8)
Other income		4.9	-	4.9	3.3	-	3.3	7.5	-	7.5
Operating profit		106.8	35.6	**142.4**	113.5	56.3	**169.8**	209.6	112.9	**322.5**

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

[1] Comparative information has been re-presented due to a discontinued operation (See note 19).

		Six months ended 31 December 2019 Unaudited			Six months ended 31 December 2018 Unaudited[1]			Year ended 30 June 2019[1]		
	Note	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Operating profit		106.8	35.6	**142.4**	113.5	56.3	**169.8**	209.6	112.9	**322.5**
Finance income	9	0.6	0.1	0.7	0.8	0.1	0.9	2.4	0.1	2.5
Finance costs	10	(180.3)	(6.9)	(187.2)	(175.4)	-	(175.4)	(348.8)	-	(348.8)
Other gains and losses	11	68.5	-	68.5	(13.6)	-	(13.6)	(22.8)	-	(22.8)
(Loss) / profit before tax		(4.4)	28.8	**24.4**	(74.7)	56.4	**(18.3)**	(159.6)	113.0	**(46.6)**
Tax	12	(10.4)	(5.7)	(16.1)	1.4	(9.1)	(7.7)	(12.4)	(18.1)	(30.5)
(Loss) / profit for the period		(14.8)	23.1	**8.3**	(73.3)	47.3	**(26.0)**	(172.0)	94.9	**(77.1)**
Attributable to:										
Owners of the company				8.1			(26.2)			(77.4)
Non-controlling interest				0.2			0.2			0.3
				8.3			**(26.0)**			**(77.1)**

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

[1] Comparative information has been re-presented due to a discontinued operation (See note 19).

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Profit / (loss) for the period		**8.3**	**(26.0)**	**(77.1)**
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain / (loss) on defined benefit pension schemes	28	4.1	(3.9)	(5.1)
Movement on deferred tax relating to pension schemes		(0.7)	0.7	0.9
		3.4	**(3.2)**	**(4.2)**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		-	(0.6)	2.5
		3.4	**(3.8)**	**(1.7)**
Total comprehensive income / (loss)		**11.7**	**(29.8)**	**(78.8)**
Attributable to:				
Owners of the Company		11.5	(30.0)	(79.1)
Non-controlling interest		0.2	0.2	0.3
Total comprehensive income / (loss)		**11.7**	**(29.8)**	**(78.8)**

All items of other comprehensive income relate to continuing operations.

Consolidated interim statement of financial position

	Note	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Non-current assets				
Goodwill	13	1,458.0	1,979.0	1,979.0
Other intangible assets	14	42.7	53.6	47.3
Property, plant and equipment	15	1,522.6	1,744.8	1,711.1
Deferred tax	17	152.0	204.9	197.7
Retirement benefits	28	31.8	22.9	22.0
Interest in associates and joint ventures		0.1	0.1	0.1
		3,207.2	**4,005.3**	**3,957.2**
Current assets				
Trade and other receivables	16	182.1	224.3	232.4
Contract assets	16	34.6	25.4	33.5
Cash and cash equivalents	18	18.4	7.1	13.4
		235.1	**256.8**	**279.3**
Assets held for sale	19	1,160.4	-	-
		1,395.5	**256.8**	**279.3**
Total assets		**4,602.7**	**4,262.1**	**4,236.5**
Current liabilities				
Borrowings	21	(606.3)	(148.8)	(503.4)
Trade and other payables	20	(1,454.5)	(1,321.9)	(1,418.1)
Contract liabilities	20	(91.5)	(123.2)	(176.6)
Provisions	23	(4.5)	(2.7)	(6.2)
		(2,156.8)	**(1,596.6)**	**(2,104.3)**
Liabilities directly associated with the assets held for sale	19	(388.8)	-	-
		(2,545.6)	**(1,596.6)**	**(2,104.3)**
Net current liabilities		**(1,150.1)**	**(1,339.8)**	**(1,825.0)**
Non-current liabilities				
Borrowings	21	(2,246.4)	(2,665.3)	(2,228.7)
Derivative financial instruments	22	(945.6)	(1,038.1)	(1,001.8)
Contract liabilities	20	(202.6)	(298.5)	(248.6)
Provisions	23	(71.3)	(67.2)	(73.6)
		(3,465.9)	**(4,069.1)**	**(3,552.7)**
Total liabilities		**(6,011.5)**	**(5,665.7)**	**(5,657.0)**
Net liabilities		**(1,408.8)**	**(1,403.6)**	**(1,420.5)**

	Note	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(1,565.2)	(1,524.5)	(1,576.7)
Capital contribution reserve		344.2	311.9	344.2
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(0.6)	(3.7)	(0.6)
Equity attributable to owners of the Company		**(1,410.0)**	**(1,404.7)**	**(1,421.5)**
Non-controlling interest		1.2	1.1	1.0
Total equity		**(1,408.8)**	**(1,403.6)**	**(1,420.5)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 February 2020 and were signed on its behalf by:

Frank Dangeard - Director

Consolidated statement of changes in equity

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2019	**0.1**	**344.2**	**(188.5)**	**(1,576.7)**	**(0.6)**	**(1,421.5)**	**1.0**	**(1,420.5)**
Profit for the period	-	-	-	8.1	-	8.1	0.2	8.3
Other comprehensive income	-	-	-	3.4	-	3.4	-	3.4
Total comprehensive income	-	-	-	11.5	-	11.5	0.2	11.7
Balance at 31 December 2019	**0.1**	**344.2**	**(188.5)**	**(1,565.2)**	**(0.6)**	**(1,410.0)**	**1.2**	**(1,408.8)**

	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 2018	**0.1**	**311.9**	**(188.5)**	**(1,495.1)**	**(3.1)**	**(1,374.7)**	**0.9**	**(1,373.8)**
(Loss) / profit for the period	-	-	-	(26.2)	-	(26.2)	0.2	(26.0)
Other comprehensive expense	-	-	-	(3.2)	(0.6)	(3.8)	-	(3.8)
Total comprehensive (loss) / income	-	-	-	(29.4)	(0.6)	(30.0)	0.2	(29.8)
Balance at 31 December 2018	**0.1**	**311.9**	**(188.5)**	**(1,524.5)**	**(3.7)**	**(1,404.7)**	**1.1**	**(1,403.6)**

	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 2018	**0.1**	**311.9**	**(188.5)**	**(1,495.1)**	**(3.1)**	**(1,374.7)**	**0.9**	**(1,373.8)**
(Loss) / profit for the year	-	-	-	(77.4)	-	(77.4)	0.3	(77.1)
Other comprehensive (expense) / income	-	-	-	(4.2)	2.5	(1.7)	-	(1.7)
Total comprehensive (loss) / income	-	-	-	(81.6)	2.5	(79.1)	0.3	(78.8)
Dividends paid	-	-	-	-	-	-	(0.2)	(0.2)
Representation of capital contribution – see note 12	-	16.4	-	-	-	16.4	-	16.4
Capital contribution	-	15.9	-	-	-	15.9	-	15.9
Balance at 30 June 2019	**0.1**	**344.2**	**(188.5)**	**(1,576.7)**	**(0.6)**	**(1,421.5)**	**1.0**	**(1,420.5)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Net cash inflow from operating activities	24	**199.9**	**205.4**	**487.0**
Investing activities				
Interest received		0.4	0.6	1.9
Purchase of tangible assets		(59.0)	(76.6)	(120.3)
Purchase of intangible assets		(1.0)	(1.2)	(2.5)
Sale of tangible assets		0.1	6.8	7.5
		(59.5)	**(70.4)**	**(113.4)**
Financing activities				
New external borrowings		105.0	16.0	-
Repayment of external borrowings		(84.4)	(63.8)	(137.2)
Repayment to parent undertakings		(21.1)	-	(20.0)
Movement in borrowings		(0.5)	(47.8)	(157.2)
Payment of lease liabilities (2018: Payment of finance lease liabilities)		(51.8)	(0.8)	(1.6)
Interest paid		(86.2)	(91.2)	(169.0)
Cash settlement of principal accretion on inflation-linked swaps		-	-	(44.3)
Cash inflow on redemption of swaps		3.1	1.6	1.6
		(135.4)	**(138.2)**	**(370.5)**
Increase / (decrease) in cash and cash equivalents	18	**5.0**	**(3.2)**	**3.1**

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 2019 were approved by the board of directors on 25 September 2019 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 2019 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2019 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. 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 European Union.

With the exception of IFRS 16, the accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2019. IFRS 16 *Leases* was effective for the Group from 1 July 2019, the modified retrospective approach was adopted on implementation and therefore comparative information has not been restated and continues to be reported under IAS17.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements and discloses the new accounting policies associated with IFRS 16 that have been applied from 1 July 2019.

The group has adopted IFRS 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

Adjustments recognised on adoption of IFRS 16

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

	2019 £m
Right of use assets	335.3
Trade & other receivables	(30.4)
Trade & other payables	0.6
Lease liabilities	(305.5)

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

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

	2019 £m
Operating lease commitments disclosed at 30 June 2019	244.3
Impact of in-substance fixed payments included in lease liability	70.0
Adjustments as a result of different lease maturity profiles	93.8
Finance lease liabilities at 30 Jun 2019	12.4
Discounted using the lessee's incremental borrowing rate at the date of initial application	(102.6)
Lease liability recognised as at 1 July 2019	**317.9**
Of which are:	
Current lease liabilities	53.3
Non-current lease liabilities	264.6
	317.9

Practical expedients taken

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

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

Policy applicable from 1 July 2019

As a lessee

When the Group enters into a lease a 'right of use asset' is recognised for the leased item and a lease liability is recognised for any lease payments due at the lease commencement date. The right of use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease.

Right of use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options.

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment (as described in the Group's Annual Report and Accounts for the year ended 30 June 2019). If right of use assets are considered to be impaired, the carrying value is reduced accordingly.

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

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

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 2019 with the exception of the new IFRS 16 accounting policy as explained above. This has resulted in the following additional areas of significant judgement and estimation uncertainty:

Lease identification

For most contracts there is limited judgement in determining whether an agreement contains a lease; however, the change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Judgement is sometimes required to determine whether the Group controls the asset and has a lease under IFRS 16.

In-substance fixed payments

Some lease contracts include elements of consideration which are fixed and variable. For these contracts judgement is required to determine to what extent any of the variable consideration is in substance fixed consideration according to IFRS 16. Where variable consideration is in substance fixed consideration it is included in the valuation of the lease liability and right of use asset.

Lease term

Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option (or other contractual rights) will be exercised or that a termination option will not be exercised by the Group. Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the leased asset's nature and purpose and potential for replacement and any plans that the Group has in place for future use of the asset.

The lease terms for land and buildings, subject to the non-cancellable period and rights and options in each individual contract, are generally judged to be the longer of the minimum lease term and between 2 and 10 years, with terms at the top end of this range if the lease relates to assets that are critical to the delivery of major customer contracts.

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 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 2019 the Group had £18.4m cash and short term deposits available to cover short term cash flow timing differences if required, together with an undrawn capital expenditure facility of £250.0m. In addition, the Group has a £250.0m liquidity facility available to cover senior interest and accretion payments if required, which also remains undrawn. The Group also holds a Commitment Letter providing access to a £110.0m facility to assist solely with repayment of the £350.0m senior notes with expected maturity in June 2020, which cannot be drawn upon until 1 June 2020. Details of the debt maturity profile are provided in note 21.

Financing risk

The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place; our BBB ratings (from Standard & Poors and Fitch) which reflect our strong ability to raise cash and repay debt from our cash flows over a reasonable period of time; maintaining an active dialogue with lenders and investors; maintaining debt with a variety of medium and long term maturities to ensure no material concentration of refinancing risk; and aiming to complete any refinancing well in advance of the required maturity date.

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

Interest rate risk

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

Foreign exchange risk

The Group operates predominantly from UK sites and in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the overwhelming majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange risk is limited. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. From time to time, forward foreign exchange contracts are used to fix the exchange rate for anticipated net exposures. Cross currency swaps are used to fix the exchange rate in relation to US Dollar denominated private placement notes, forming an economic hedge. Details of the cross currency swaps are provided in note 22.

6 Going concern

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

7 Revenue and segmental information

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

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

Six months to 31 December 2019 - Unaudited	Media Networks £m	Telecoms & M2M £m	Total – continuing operations £m	Telecoms Discontinued operations £m	Total £m
Rendering of services	274.5	37.6	**312.1**	89.4	**401.5**
Engineering projects	20.3	-	**20.3**	18.5	**38.8**
Sale of goods	-	6.0	**6.0**	-	**6.0**
Total revenue	**294.8**	**43.6**	**338.4**	**107.9**	**446.3**

Six months to 31 December 2018 - Unaudited	Media Networks £m	Telecoms & M2M £m	Total – continuing operations £m	Telecoms Discontinued operations £m	Total £m
Rendering of services	287.7	38.8	**326.5**	116.3	**442.8**
Engineering projects	20.7	-	**20.7**	14.0	**34.7**
Sale of goods	-	5.4	**5.4**	-	**5.4**
Total revenue	**308.4**	**44.2**	**352.6**	**130.3**	**482.9**

Year ended 30 June 2019	Media Networks £m	Telecoms & M2M £m	Total – continuing operations £m	Telecoms Discontinued operations £m	Total £m
Rendering of services	571.5	104.2	**675.7**	235.2	**910.9**
Engineering projects	43.0	-	**43.0**	27.9	**70.9**
Sale of goods	-	8.6	**8.6**	-	**8.6**
Total revenue	**614.5**	**112.8**	**727.3**	**263.1**	**990.4**

Segmental reporting

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

- Media Networks; and
- Telecoms & M2M.

'Other' segment refers to our corporate business unit, which is non-revenue generating and therefore its performance is not viewed in the same way by the Group's CODM.

On 1 July 2019 the Terrestrial Broadcast and Satellite business units were merged into a single customer faced business unit, to be known as, Media Networks. The Networks team previously within the Corporate business unit also moved into the Media Networks business stream. The results for the comparative periods have been re-presented to reflect the change in operating segments.

Six months to 31 December 2019 (Unaudited)	Media Networks £m	Telecoms & M2M £m	Other £m	Consolidated £m
Revenue (including £107.9m in Telecoms and M2M relating to discontinued operations)	294.8	151.5	-	446.3
Segment result* (EBITDA) (including £60.3m in Telecoms and M2M relating to discontinued operations)	203.5	84.1	(21.9)	265.7
Depreciation and amortisation				(116.0)
Exceptional items				(12.2)
Other income				4.9
Operating profit from discontinued operations				(35.6)
Operating profit from continuing operations				106.8
Finance income				0.6
Finance costs				(180.3)
Other gains and losses				68.5
Loss before tax from continuing operations				(4.4)

Six months to 31 December 2018 (Unaudited)	Media Networks £m	Telecoms & M2M £m	Other £m	Consolidated £m
Revenue (including £130.3m in Telecoms and M2M relating to discontinued operations)	308.4	174.5	-	482.9
Segment result* (EBITDA) (including £65.9m in Telecoms and M2M relating to discontinued operations)	193.6	89.2	(22.2)	260.6
Depreciation and amortisation				(92.8)
Exceptional items				(1.3)
Other income				3.3
Operating profit from discontinued operations				(56.3)
Operating profit from continuing operations				113.5
Finance income				0.8
Finance costs				(175.4)
Other gains and losses				(13.6)
Loss before tax from continuing operations				(74.7)

Year ended 30 June 2019	Media Networks	Telecoms & M2M	Other	Consolidated
	£m	£m	£m	£m
Revenue (including £263.1m in Telecoms and M2M relating to discontinued operations)	**614.5**	**375.9**	**-**	**990.4**
Segment result* (EBITDA) (including £134.7m in Telecoms and M2M relating to discontinued operations)	**390.0**	**189.0**	**(51.5)**	**527.5**
Depreciation and amortisation				(199.9)
Other operating expenditure excluded from measuring EBITDA				(0.1)
Exceptional items				(12.5)
Other income				7.5
Operating profit from discontinued operations				(112.9)
Operating profit from continuing operations				**209.6**
Finance income				2.4
Finance costs				(348.8)
Other gains and losses				(22.8)
Loss before tax from continuing operations				**(159.6)**

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

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

	Six months to 31 December 2019	Six months to 31 December 2018	Year ended 30 June 2019
	Unaudited	Unaudited	
	£m	£m	£m
Operating profit from continuing operations	**106.8**	**113.5**	**209.6**
Depreciation	*110.3*	*85.4*	*184.1*
Amortisation	*5.7*	*7.4*	*15.8*
Exceptional operating expenses	*12.2*	*1.3*	*12.5*
Profit from discontinued operations	*35.6*	*56.3*	*112.9*
Other income	*(4.9)*	*(3.3)*	*(7.5)*
Other	*-*	*-*	*0.1*
EBITDA	**265.7**	**260.6**	**527.5**

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 Networks	Telecoms & M2M	Other	Consolidated
	£m	£m	£m	£m
Capital expenditure:				
For the six months ended 31 December 2019 (Unaudited)	23.0	16.8	20.2	**60.0**
For the six months ended 31 December 2018 (Unaudited)	40.5	21.6	15.7	**77.8**
For the year ended 30 June 2019	61.1	26.1	35.6	**122.8**

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 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
UK	442.1	476.7	978.8
Continental Europe	3.1	4.2	8.1
Rest of World	1.1	2.0	3.5
Total revenue	**446.3**	**482.9**	**990.4**

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

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
UK	3,021.3	3,774.2	3,735.2
Continental Europe	2.0	2.5	2.3
Rest of World	0.1	0.8	-
Total non-current assets	**3,023.4**	**3,777.5**	**3,737.5**

8 Exceptional items

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

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Operating expenses			
Reorganisation and severance	(2.6)	(3.6)	(13.5)
Corporate finance activities	(9.6)	0.3	(1.0)
Profit on disposal of assets	-	2.0	2.0
	(12.2)	**(1.3)**	**(12.5)**

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

Corporate finance activity figures relate to costs and accruals associated with one off projects and corporate transactions.

Profit on disposal of assets relates to the sale of non-core assets (and the associated contracts) for In-Building Solutions, which was sold in October 2018.

9 Finance income

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Bank deposits	0.1	0.1	0.3
Finance lease interest receivable	-	-	0.3
Other loans and interest receivable	0.6	0.7	1.9
Dividends received	-	0.1	-
Total finance income	**0.7**	**0.9**	**2.5**

10 Finance costs

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Interest on bank overdrafts and loans	42.6	46.3	89.8
Other loan interest	36.8	38.0	75.5
Bank and other loan interest	**79.4**	**84.3**	**165.3**
Amortisation of debt issue costs	1.9	2.5	4.9
Interest on lease obligations	11.9	0.5	0.9
Interest payable to other group entities	83.1	77.1	155.9
Other interest	8.7	8.9	17.7
Total interest payable	**185.0**	**173.3**	**344.7**
Unwinding of discount on provisions (see note 23)	2.2	2.1	4.1
Total finance costs	**187.2**	**175.4**	**348.8**

11 Other gains and losses

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Foreign exchange gain / (loss) on financing	9.2	(7.9)	(9.1)
Fair value gain / (loss) on derivative financial instruments (see note 22)	59.3	(5.7)	(13.7)
Total other gains and losses	**68.5**	**(13.6)**	**(22.8)**

Foreign exchange gain / (loss) on financing arises on the revaluation of the Group's US dollar denominated debt (see note 21), although the Group has economically hedged these instruments with cross currency swaps.

12 Tax

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
UK Corporation tax:			
- Current year	0.2	4.1	1.1
- Representation of prior year amount (a)	-	-	16.4
- Prior year adjustment	-	-	1.8
Current year overseas tax	0.1	0.1	-
Total current tax charge / (credit)	0.3	4.2	19.3
Deferred tax (see note 17):			
- Origination and reversal of temporary differences	6.1	(6.0)	(9.0)
- Change in unrecognised deferred tax assets	9.7	9.5	21.8
- Prior period adjustment	-	-	(0.6)
- Impact of rate change	-	-	(1.0)
Total deferred tax	15.8	3.5	11.2
Total tax charge for the period	**16.1**	**7.7**	**30.5**
Income tax expense is attributable to:			
Profit from continuing operations	**10.4**	**(1.4)**	**12.4**
Profit from discontinued operations	**5.7**	**9.1**	**18.1**
	16.1	**7.7**	**30.5**

(a) The current tax credit in the year ending 30 June 2018 included a payment for the use of tax attributes within the wider Arqiva Group Limited group. Following completion of the financial statements of the Group's principal subsidiaries, it was determined that an element of this payment should be more appropriately presented as capital contribution. Accordingly, a representation of £16.4m, to treat the payment as a capital contribution, was reflected in the financial statements at 30 June 2019.

The tax charge/(credit) on ordinary activities is recognised based on management's estimate of the weighted average annual corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2020 is 26.8% (the estimated tax rate used at 31 December 2019 was 14.7%), excluding one-off tax adjustments such as prior period adjustments and the allocation of interest expense which is not deductible. The rate is different to the statutory rate mainly due to permanent differences which are not tax deductible.

The main rate of UK corporation tax was 19.0% during the period. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. UK deferred tax has been valued at 17.0% (31 December 2018: 17.0%; 30 June 2019: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

The current tax charge in the period ended 31 December 2019 represents payments for corporation tax group relief surrendered by other companies within the Arqiva Group Limited corporation tax group to companies within the Arqiva Group Parent Limited group of consolidated companies. This group relief is paid for at the UK corporation tax rate of 19%.

13 Goodwill

	£m
Cost:	
At 1 July 2019	1,979.4
Assets classified as held for sale	(521.0)
At 31 December 2019	**1,458.4**
Accumulated impairment losses:	
At 1 July 2019	0.4
At 31 December 2019	**0.4**
Carrying amount:	
At 31 December 2019 (Unaudited)	**1,458.0**
At 31 December 2018 (Unaudited)	1,979.0
At 30 June 2019	1,979.0

14 Other intangible assets

	Licences £m	Development costs £m	Access rights £m	Software £m	Total £m
Cost					
At 1 July 2019	15.5	20.7	15.4	100.2	151.8
Additions	-	1.0	-	-	1.0
Transfers from AUC (note 15)	0.8	0.1	-	0.3	1.2
Disposals	-	(1.0)	-	-	(1.0)
Assets classified as held for sale	(2.6)	-	-	-	(2.6)
At 31 December 2019	**13.7**	**20.8**	**15.4**	**100.5**	**150.4**
Accumulated amortisation					
At 1 July 2019	7.1	9.2	15.4	72.8	104.5
Charge for the period	0.9	1.0	-	3.8	5.7
Disposals	-	(1.0)	-	-	(1.0)
Assets classified as held for sale	(1.5)	-	-	-	(1.5)
At 31 December 2019	**6.5**	**9.2**	**15.4**	**76.6**	**107.7**
Carrying amount					
At 31 December 2019 (Unaudited)	**7.2**	**11.6**	**-**	**23.9**	**42.7**
At 31 December 2018 (Unaudited)	9.0	13.9	-	30.7	53.6
At 30 June 2019	8.4	11.5	-	27.4	47.3

15 Property, plant and equipment

	Freehold land and buildings £m	Leasehold buildings £m	Plant and equipment £m	Assets under the course of construction (AUC) £m	Total £m
Cost					
At 1 July 2019	342.2	153.8	2,228.7	96.0	2,820.7
Recognition of right-of-use asset on initial application of IFRS 16	-	272.4	62.9	-	335.3
Adjusted balance at 1 July 2019	342.2	426.2	2,291.6	96.0	3,156.0
Additions	-	109.9	1.3	52.5	163.7
Completion of AUC	3.3	1.1	33.4	(37.8)	-
Transfers to intangibles (Note 14)	-	-	-	(1.2)	(1.2)
Disposals	-	-	(37.4)	-	(37.4)
Derecognition of Right of Use Assets	-	(11.2)	(1.1)	-	(12.3)
Assets classified as held for sale	(36.5)	(397.5)	(431.6)	(9.7)	(875.3)
At 31 December 2019	**309.0**	**128.5**	**1,856.2**	**99.8**	**2,393.5**
Accumulated depreciation					
At 1 July 2019	48.8	64.3	996.5	-	1,109.6
Charge for the period	3.2	16.7	90.4	-	110.3
Disposals	-	-	(37.3)	-	(37.3)
Assets classified as held for sale	(9.0)	(59.5)	(243.2)	-	(311.7)
At 31 December 2019	**43.0**	**21.5**	**806.4**	**-**	**870.9**
Carrying amount					
At 31 December 2019 (Unaudited)	**266.0**	**107.0**	**1,049.8**	**99.8**	**1,522.6**
At 31 December 2018 (Unaudited)	295.9	91.0	1,266.1	91.8	1,744.8
At 30 June 2019	293.4	89.5	1,232.2	96.0	1,711.1

16 Trade and other receivables

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Trade receivables	63.4	92.0	85.7
Amounts receivable from other group entities	85.8	59.2	88.9
Other receivables	2.9	7.2	4.5
Prepayments	28.5	64.1	51.6
Amounts receivable from finance lease arrangements	1.5	1.8	1.7
	182.1	**224.3**	**232.4**
Contract assets	**34.6**	**25.4**	**33.5**

17 Deferred tax

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Deferred tax asset	160.3	208.8	201.4
Deferred tax liability	8.3	3.9	3.7

The net deferred tax asset of £152.0m comprises tax losses of £14.6m, derivative financial instruments of £138.3m, other temporary differences of £2.0m and a deferred tax liability on fixed asset temporary differences of £2.9m.

18 Cash and cash equivalents

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Cash at bank	7.6	4.2	4.8
Short term deposits	10.8	2.9	8.6
Total cash and cash equivalents	18.4	7.1	13.4

19 Disposal group held for sale and discontinued operations

On 8 October 2019, management committed to a plan for the sale of its' telecoms infrastructure and related assets at an enterprise value of £2.0bn, subject to clearance from the regulatory authorities. Accordingly, the telecoms business is presented as a disposal group held for sale. The process for selling the disposal group has started and a sale is expected to complete in 2020.

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

Assets and liabilities of disposal group held for sale

	Note	31 December 2019 Unaudited £m
Goodwill		521.0
Property, plant and equipment		563.6
Intangible assets		1.1
Trade and other receivables		28.4
Contract assets		17.2
Deferred tax		29.1
Assets held for sale		**1,160.4**
Lease liabilities		250.4
Trade and other payables		38.6
Contract liabilities		94.4
Provisions		5.4
Liabilities held for sale		**388.8**

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

20 Trade and other payables

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Current			
Trade payables	36.3	43.0	47.5
Amounts payable to other group entities	1,324.9	1,159.9	1,252.2
Taxation and social security	18.0	28.3	20.6
Other payables	3.4	11.1	5.3
Accruals	71.9	79.6	92.5
Total current trade and other payables	**1,454.5**	**1,321.9**	**1,418.1**
Contract liabilities	**91.5**	**123.2**	**176.6**
Non-Current			
Contract liabilities	**202.6**	**298.5**	**248.6**

21 Borrowings

		31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Within current liabilities:				
Bank loans				
- *Senior debt*	*Sterling denominated*	-	-	20.0
Lease liabilities (2018: Finance lease obligations)	*Sterling denominated*	20.0	0.7	0.8
Bank facility	*Sterling denominated*	140.0	71.0	35.0
Senior bonds and notes (amortising)	*Sterling denominated*	415.4	58.1	413.8
	US dollar denominated	31.3	19.7	29.6
Accrued interest on junior and senior financing[1]	*Sterling denominated*	(0.4)	(0.7)	4.2
Borrowings due within one year		**606.3**	**148.8**	**503.4**
Within non-current liabilities:				
Bank loans		**368.8**	**427.6**	**368.3**
- *Senior debt*	*Sterling denominated*	*370.0*	*430.0*	370.0
- *Issue costs*	*Sterling denominated*	*(1.2)*	*(2.4)*	(1.7)
Other loans		**1,275.5**	**1,729.0**	**1,352.0**
- *Senior bonds and notes*	*Sterling denominated*	*1,069.6*	*1,485.1*	1,116.0
	US dollar denominated	*212.2*	*251.5*	242.8
- *Issue costs*	*Sterling denominated*	*(6.3)*	*(7.6)*	(6.8)
Amounts payable to other group entities	Sterling denominated	**496.8**	**496.8**	**496.8**
Lease liabilities (2018: Finance lease obligations)	Sterling denominated	**105.3**	**11.9**	**11.6**
Borrowings due after more than one year		**2,246.4**	**2,665.3**	**2,228.7**

[1] The balance at 31 December 2019 is shown net of £1.3m (31 December 2018: £1.5m; 30 June 2019 £7.6m) interest receivable under swap arrangements associated with the underlying financing.

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Analysis of total borrowings by currency:			
Sterling	2,609.2	2,542.9	2,459.7
US Dollar	243.5	271.2	272.4
Total borrowings	**2,852.7**	**2,814.1**	**2,732.1**

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 £949.2m (31 December 2018: £965.4m; 30 June 2019: £965.7m) whilst their carrying amount was £860.7m (31 December 2018: £887.3m; 30 June 2019: £874.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £411.0m (31 December 2018: £458.1m; 30 June 2019: £456.1m) whilst their carrying amount was £389.4m (31 December 2018: £434.1m; 30 June 2019: £429.8m).

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 7.28% (31 December 2018: 7.89%; 30 June 2019: 7.29%).

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

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Borrowings fall due within:			
One year	606.7	149.5	499.2
One to five years	1,007.4	1,097.2	898.1
More than five years	1,246.5	1,578.1	1,339.1
Total	**2,860.6**	**2,824.8**	**2,736.4**

Included within borrowings due within one year are annual amortising debt repayments together with £350m of senior notes with an expected maturity of June 2020. The Group is confident that the senior notes will be refinanced when required or that existing undrawn facilities, together with the Commitment Letter obtained for an additional £110.0m facility, will be used to repay the notes.

The notes have an expected maturity of June 2020 and have therefore been disclosed as falling due within one year, there is however provision for this debt instrument to remain beyond the expected maturity and the legal backstop maturity of the notes is 2035.

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

Senior debt includes a bank term loan with £nil outstanding (31 December 2018: £60.0m; 30 June 2019: £20.0m); an institutional term loan with £180.0m outstanding (31 December 2018: £180.0m; 30 June 2019: £180.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £190.0m outstanding (31 December 2018: £190.0m; 30 June 2019: £190.0m) with an expected maturity date of June 2024 and capital expenditure and working capital facilities with £140.0m outstanding (31 December 2018: £71.0m; 30 June 2019: £35.0m) with an expected maturity date of June 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. In September 2019, the Group obtained a Commitment Letter providing access to a £110.0m facility which can be drawn upon should the Group fail to refinance £350.0m of senior notes that have an expected maturity of 30 June 2020. This facility is available solely for the purpose of repayment of these senior notes, with notification of utilisation required by 15 May 2020 and funds to be released and repaid between 1 June 2020 and 31 March 2021. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £500.0m (31 December 2018: £569.0m; 30 June 2019: £605.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 5.

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

As at 31 December 2019, the Group has £860.7m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds have scheduled amortisation between December 2019 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £478.5m (31 December 2018: £498.5m; 30 June 2019: £498.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2019 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has £389.4m (31 December 2018: £428.4m; 30 June 2019: £429.8m) of fixed rate US private placements in sterling and US dollar denominated notes. At the hedged rate these are valued at £356.7m (31 December 2018: £384.6m; 30 June 2019: £384.6m). These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2019 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

22 Financial instruments

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

The weighted average interest rate of fixed rate financial liabilities at 31 December 2019 was 4.53% (31 December 2018: 4.5%; 30 June 2019: 4.5%). The weighted average period of funding was 4.6 years (31 December 2018: 5.3 years; 30 June 2019: 4.8 years).

Within the Group's financial liabilities were borrowings of £3,084.8m excluding issue costs and accrued interest (31 December 2018: £2,824.8m; 30 June 2019: £2,732.1m) (see note 21), which includes £988.5m (31 December 2018: £999.5m; 30 June 2019: £923.5m) 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 £835.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.8%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 21).

The Group has also entered into index linked swaps (notional amount of £1,312.5m) where it receives floating and pays fixed interest obligations to an average rate of 2.939% 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, however £235.0m of these have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 320.4m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 31 December 2019 excluding the inflation swap principal accretion of £38.4m (31 December 2018: £37.8m; 30 June 2019: £nil), is a liability of £907.2m (31 December 2018: £1,000.3m; 30 June 2019: £1,001.8m). 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, inflation rate swaps, swap options and cross-currency 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 within non-current liabilities:

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Interest rate swaps	(255.5)	(274.2)	(275.9)
Inflation-linked interest rate swaps (including principal accretion of £38.4m; 31 December 2018: £37.8m; 30 June 2019: £nil)	(717.9)	(798.5)	(767.4)
Cross-currency swaps	27.8	34.6	41.5
Total	**(945.6)**	**(1,038.1)**	**(1,001.8)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	74.8	(9.8)	(7.9)
- Attributable to changes in perceived credit risk	(15.5)	4.1	(5.8)
Total profit/(loss) recognised in the income statement	**59.3**	**(5.7)**	**(13.7)**
Cash settlement of principal accretion on inflation-linked swaps	-	-	44.3
Cash inflow on redemption of swaps	(3.1)	(1.6)	(1.6)
Total change in fair value	**56.2**	**(7.3)**	**29.0**

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

23 Provisions

	Decommissioning £m	Restructuring £m	Remediation and maintenance £m	Other £m	Total £m
At 1 July 2019	68.5	3.8	5.3	2.2	79.8
Unwind of discount (note 10)	2.1	-	0.1	-	2.2
Utilised	(0.1)	(0.7)	(0.2)	-	(1.0)
Released to income statement	(0.3)	-	-	-	(0.3)
Charged to income statement	0.3	-	-	0.2	0.5
Provisions held for sale	(5.4)	-	-	-	(5.4)
At 31 December 2019 (Unaudited)	**65.1**	**3.1**	**5.2**	**2.4**	**75.8**
At 31 December 2018 (Unaudited)	62.5	0.2	5.2	2.0	69.9
At 30 June 2019	68.5	3.8	5.3	2.2	79.8

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Analysed as:			
Current	4.5	2.7	6.2
Non-current	71.3	67.2	73.6
	75.8	**69.9**	**79.8**

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Operating profit	142.4	169.8	322.5
Adjustments:			
Depreciation of property, plant and equipment	110.3	85.4	184.1
Amortisation of intangible assets	5.7	7.4	15.8
Profit on disposal of property, plant and equipment	-	-	(0.1)
Other income	(4.9)	(3.3)	(7.5)
Operating cash flows before movements in working capital	**253.5**	**259.3**	**514.8**
(Increase) / decrease in receivables	(25.9)	32.0	48.6
Decrease in payables	(27.0)	(85.5)	(78.9)
(Decrease) / increase in provisions	(0.8)	(0.3)	2.7
Cash generated from operating activities	**199.8**	**205.5**	**487.2**
Taxes paid	0.1	(0.1)	(0.2)
Net cash inflow from operating activities	**199.9**	**205.4**	**487.0**

Analysis of changes in financial liabilities:

	At 1 July 2019 £m	Changes in financing cash flows (Cash) £m	Changes in foreign exchange (Non-cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 31 December 2019 £m
Current borrowings (Note 21)	499.2	(23.5)	-	-	131.0	606.7
Non-current borrowings (Note 21)	2,228.7	-	(9.2)	-	26.9	2,246.4
Accrued interest on borrowings (Note 21)	4.2	(86.2)	-	-	81.6	(0.4)
Derivative financial instrument Liabilities (Note 22)	1,001.8	3.1	-	(59.3)	-	945.6
Total	**3,733.9**	**(106.6)**	**(9.2)**	**(59.3)**	**239.5**	**3,798.3**

25 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	31 December 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Within one year	18.5	37.8	25.7
Within two to five years	-	0.1	0.7
Total capital commitments	**18.5**	**37.9**	**26.4**

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

26 Leases

Leases as lessee (IFRS 16)

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

Right of use assets

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

	Leasehold buildings £m	Plant and equipment £m	Total £m
Balance at 1 July 2019	277.1	63.2	340.3
Depreciation charge for the year	(14.9)	(7.6)	(22.5)
Additions to right of use assets	109.8	-	109.8
Derecognition of right of use assets	(11.2)	(1.1)	(12.3)
Balance at 31 December 2019	**360.8**	**54.5**	**415.3**

Amounts recognised in the Income Statement

Leases under IFRS 16	Six months to 31 December 2019 Unaudited £m
Interest on lease liabilities	11.5

Operating leases under IAS 17	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Lease expense	-	33.0	67.7

Amounts recognised in the cashflow statement

	Six months to 31 December 2019 Unaudited £m
Total cash outflow for leases	51.8

27 Related party transactions

Balances and transactions between Group entities, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 28.

The disclosure of transactions with related parties reflects the periods in which the related party relationships exist. The disclosure of amounts outstanding to/from related parties at the reporting date reflects related party relationships at that date.

The Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services			Purchase of goods and services		
	Six months to 31 December 2019 £m	Six months to 31 December 2018 £m	Year ended 30 June 2019 £m	Six months to 31 December 2019 £m	Six months to 31 December 2018 £m	Year ended 30 June 2019 £m
Associates	-	-	-	3.2	3.1	6.3
Joint ventures	2.1	1.7	3.9	1.3	1.1	2.5
Entities under common influence	-	-	-	-	0.2	-
Other group entities	27.5	29.2	72.1	-	-	-
	29.6	**30.9**	**76.0**	**4.5**	**4.4**	**8.8**

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.

In addition, the Group received £nil (31 December 2018: £0.1; 30 June 2019: £0.2m) of dividends from associates and joint ventures in which it holds an investment.

As at 31 December 2019, the amount payable to joint ventures was £nil (31 December 2018: £0.4m; 30 June 2019: £0.2m).

As at 31 December 2019, the amount receivable from associates was £nil (31 December 2018: £nil; 30 June 2019: £0.3m) and the amount payable to associates was £nil (31 December 2018: £0.2m; 30 June 2019: £0.4m).

As at 31 December 2019, the amount receivable from entities under common influence was £nil (31 December 2018: £0.2m; 30 June 2019: £nil).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 29) are set out in notes 16, 20 and 21.

28 Retirement benefits

Defined benefit scheme
In the period to 31 December 2019, 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 19 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2017 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates from the triennial valuation figures.

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

	Six months to 31 December 2019 Unaudited £m	Six months to 31 December 2018 Unaudited £m	Year ended 30 June 2019 £m
Components of defined benefit finance income recognised in profit or loss	(0.3)	(0.3)	(0.6)
	(0.3)	**(0.3)**	**(0.6)**

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 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Return on Plan assets excluding Interest Income	2.5	(8.4)	20.2
Experience gains arising on the Plan's liabilities	-	-	0.2
Actuarial gains/(losses) arising from changes in financial assumptions	1.6	4.5	(24.8)
Actuarial losses arising from changes in demographic assumptions	-	-	(0.7)
	4.1	**(3.9)**	**(5.1)**

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 2019 Unaudited £m	31 December 2018 Unaudited £m	30 June 2019 £m
Fair value of Plan assets	266.1	230.6	259.4
Present value of Plan liabilities	(234.3)	(207.7)	(237.4)
Surplus	**31.8**	**22.9**	**22.0**

29 Controlling parties

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

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