

**Macquarie UK Broadcast
Holdings Limited**

Registered number 05254001

**Annual Report and Consolidated
Financial Statements**

For the year ended 30 June 2009

Macquarie UK Broadcast Holdings Limited

Annual Report and Consolidated Financial Statements - Year ended 30 June 2009

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Directors' report and statement of Directors' responsibilities

The Directors of Macquarie UK Broadcast Holdings Limited ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited consolidated financial statements ('financial statements') in respect of the year ended 30 June 2009.

Business review and principal activities

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental, media services and radio communications in the United Kingdom ('UK') and satellite services in the UK, Europe and the United States of America ('USA').

The Group provides a range of products and services to its customers principally through three business units:

- Satellite & Media provides global communication platforms to enterprise, government and broadcast customers around the world. It owns and operates teleports at key locations including Los Angeles, Washington, London and Paris, as well as comprehensive satellite capacity, an international terrestrial fibre network and extensive media facilities. These enable the Group to provide organisations with a comprehensive range of services to deliver their data, broadcasts and media across the globe.
- Terrestrial Broadcast provides transmission for all UK terrestrial TV broadcasters, including the new networks being built for the Digital Switch Over ('DSO'). Transmission is also provided for BBC Radio and most commercial radio stations. The Group owns and operates two of the six UK digital terrestrial TV multiplexes, enabling major media companies to bring their TV and radio services to Freeview.
- Wireless Access provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets.

On 3 April 2007, the Group acquired the National Grid Wireless ('NGW') group of companies from National Grid Plc. The acquisition was subject to a review by the Competition Commission and during this review period, a formal 'hold separate' agreement was in place, and NGW continued to trade as a separate business. On 11 March 2008, the Competition Commission announced that it would allow the acquisition of the NGW group of companies to go ahead, subject to the agreement of a package of measures to protect the interests of the customers, including price reductions for certain customers on new and existing contracts and the appointment of an adjudicator to resolve disputes. The undertakings required by the Competition Commission were signed in August 2008 and 'hold separate' lifted on 1 September 2008.

Subsequent to the lifting of 'hold separate' integration of NGW into the Group commenced. During September 2008, NGW was rebranded as Arqiva, and all employees were transferred under TUPE to Arqiva Limited, a subsidiary company. The integration of NGW was substantially completed by the year end and has resulted in exceptional costs of £28,159,000 in the year (2008: £nil).

In November 2008, the Group completed the DSO process at the Selkirk transmitter group in the Scottish border region. This was the first of 50 main analogue stations to switch over to all digital transmission.

On 12 December 2008, Arqiva Limited acquired a 16.4% stake in Arts Alliance Media Investment Limited ('AAMIL'). This investment enables the Group to develop technologies for the distribution of digital cinema content.

On 18 February 2009, Arqiva Limited acquired JFMG Limited ('JFMG'). JFMG has been contracted by Ofcom to manage and licence the radio spectrum used for programme making, entertainment and special events ('PMSE').

In March 2009, Arqiva Limited was selected by Mobile Broadband Network Limited ('MBNL'), the joint venture formed between T-Mobile UK and 3UK to create and manage their UK 3G network, as its strategic partner for the provision of cell sites. Under the terms of the 10 year agreement, Arqiva Limited will provide MBNL with 5,100 sites and Arqiva Limited will have exclusive marketing rights for site sharing services on a further 2,500 sites.

In April 2009, the Group reached an agreement with Global Radio to acquire Global's 63% share in the commercial Digital Audio Broadcasting ('DAB') multiplex, Digital One, and ownership of Now Digital, which operates Global Radio's local digital radio multiplexes. The transaction was completed on 21 July 2009.

In July 2009, the Group agreed to acquire the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4.

The results show a pre-tax loss of £205,669,000 (2008: loss of £251,737,000) and Group turnover of £805,520,000 (2008: £759,574,000). The Group has net assets of £168,427,000 (2008: £485,167,000).

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The key measure of the Group's performance is EBITDA. EBITDA is defined as operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest, and exceptional items. EBITDA for the year ended 30 June 2009 is £304,566,000 (2008: £275,536,000). The EBITDA margin (ratio of EBITDA to turnover expressed as a percentage) for the year ended 30 June 2009 is 37.8% (2008: 36.3%).

Business environment

The single biggest issue facing the Group (and industry) is the change to the terrestrial transmission business as a consequence of the UK Government mandated national DSO programme. A significant and complex broadcast engineering project is being undertaken in order to provide Digital Terrestrial Television ('DTT') transmission services. Terrestrial transmission services in the UK will transition from current analogue and low power digital transmission service to a high power digital transmission service. This began in Cumbria in October 2007 and will take place progressively on a region by region basis, scheduled to complete by 2012. The programme is currently running within plan parameters, with over 1 million homes now fully digital. The Group has executed contracts with the BBC, SDN, and Digital 3/4 to design, build and operate new high-power DTT networks.

The UK Government issued its final report 'Digital Britain' on 16 June 2009, following extensive industry consultation. There are no new proposals for television infrastructure, however it does support an analogue radio switch-off by the end of 2015. As discussed under post balance sheet events below, the acquisition of Digital One means the Group is now a national digital radio multiplex operator.

Principal risks and uncertainties facing the business

The key business risks affecting the Group are set out below:

- DSO: as identified above, the delivery of the DSO programme, on a technical and commercial level over the next three years.
- Demand for wireless communications and resultant demand for access to the Group's towers.
- Delivery of DTT Managed Transmission Service contracts with TV broadcasters.

Dividends and transfers to reserves

The Company declared and paid dividends of £130,117,000 (2008: £19,147,000) comprising a dividend of £110,000,000 paid on 29 July 2008 and a further dividend of £20,117,000 paid on 28 January 2009.

The consolidated loss for the year of £183,829,000 (2008 loss: £243,801,000) was transferred from reserves.

Future developments

It is the intention of the Company and the Group to continue investing in communications infrastructure projects.

Post balance sheet events

Macquarie Communications Infrastructure Group ('MCG') is the parent undertaking for accounting purposes of the largest group to consolidate these financial statements. A meeting of shareholders of MCG took place on 30 June 2009 where the proposed takeover of MCG by Canada Pension Plan Investment Board ('CPPIB') was approved by shareholders. The transaction completed on 21 July 2009. As a result of the transaction CPPIB hold a 48% stake in the Group, Macquarie European Infrastructure Fund ('MEIFII') 21%, other Macquarie Funds 13% and minorities 18%.

On 21 July 2009 a subsidiary company, MUKBL Digital Radio Limited, acquired the remaining shares (63%) in Digital One Limited for consideration of £3,067,000. Digital One was accounted for as an associate as at 30 June 2009 and it has now become a full subsidiary. Digital One operates a national DAB multiplex ('mux'), meaning the Group has become a mux operator in radio as well as television.

On 25 August 2009, Arqiva Limited completed the acquisition of the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4.

Creditor payment policy

The Group seeks to treat all of its suppliers fairly and it is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations. Trade creditor days are 47 (2008: 43 days).

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Financial risk management

The Company's operations expose it and the Group to a variety of financial risks that include the effects of changes in price, credit risk, liquidity risk, cash flow interest rate risk and foreign exchange risk. The Group's overall risk management programme seeks to minimise potential adverse effects as noted below.

Price risk

The Group has a limited exposure to fluctuations in prices of electricity, gas and other commodities. The potential impact of this is reduced by negotiating fixed price contracts. In addition, the majority of the Group's costs do not fluctuate on a day-to-day basis but are fixed for periods of time.

Credit risk

The Group is exposed to credit risk but this is managed through appropriate credit checking procedures prior to taking on new customers, higher risk customers paying in advance of services being provided, and the generally lower risk nature of the majority of the customer portfolio.

Liquidity risk

The Group uses medium term debt finance to ensure the Group has sufficient available funds for operations and planned growth.

Cash flow interest risk

The Group has a policy of maintaining approximately 50% of bank debt at a fixed rate to ensure certainty of future interest cash flows. This is achieved using interest rate swaps to convert the floating rate term debt into fixed rate debt. The remaining interest cost of the bank debt, is linked to inflation rising index link swaps.

Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Group's revenues and cost are sterling based, and accordingly exposure to foreign exchange risk is low.

Environment

The Group recognises that its activities and those of its subsidiaries impact on the environment to some degree; therefore it aims to secure the positive advantages and reduce the negative impacts through a system of active environmental management.

The Group aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- minimise pollution from its activities;
- plan the contingency / emergency response for major incidents, with other environmental stakeholders, to minimise environmental impact;
- engender within its staff, and as far as practicable its contractors, a culture of awareness and responsibility for relevant environmental issues by promoting its environmental policy internally;
- develop, implement and audit an environmental management system to support these aims;
- achieve certification to ISO 14001 'Environmental Management Systems'; and
- promote its environment-friendly credentials as widely as possible.

Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to

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ensure that their employment with the Group continues and the appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees continues using the intranet, briefing groups and distribution of an in-house magazine.

The Company itself has no employees.

Directors

The following held office as Directors of the Company during the year and up to the date of this report:

- Christian Seymour
- Joshua McHutchinson
- Peter Shore
- Adrianus Wamsteker (Appointed 6 February 2009)
- Graeme Bevans (Appointed 20 July 2009)
- Alain Carrier (Appointed 20 July 2009)
- Dan Fetter (Appointed 20 July 2009)
- Andreas Koettering (Appointed 20 July 2009)
- Martin Stanley (Appointed 8 August 2008)
- Andrew Hunter (Appointed 8 August 2008, Resigned 20 July 2009)
- Manoj Mehta (Resigned 6 February 2009)
- Scott Davies (Resigned 20 July 2009)
- Gerald Moriarty (Resigned 20 July 2009)
- Peter Douglas (Resigned 20 July 2009)
- Graeme Barclay (Resigned 20 July 2009)
- Michael Buckling (Resigned 20 July 2009)
- Andrew Cunanan (Resigned 30 September 2008)
- Damian John Walsh (Resigned 30 September 2008)
- Steve Bickerton (Resigned 30 September 2008)

Company Secretary

On 31 July 2009 Tom O'Connor resigned as Company Secretary and Michael Giles was appointed in his place.

Provision of information to the Independent Auditors

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

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

Research and development

The Group performs research and development into new products and technology. Development costs are capitalised when they relate to a customer project. The research and development costs expensed in the year total £1,408,000 (2008: £1,640,000).

Freehold land and buildings

The Directors confirm that the valuation of tangible fixed assets closely approximates to book value.

Overseas branches

The Group has branches based in the Republic of Ireland, Isle of Man and Jersey.

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Directors' indemnities

The Group maintains liability insurance for its Directors and officers. Following shareholder approval, the Group has also provided an indemnity for its Directors and the Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP will be reappointed as the Company's Auditors in accordance with the elective resolution passed by the Company under section 487 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

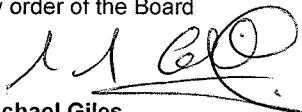
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



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

19 October 2009

Independent Auditors' report to the members of Macquarie UK Broadcast Holdings Limited

We have audited the Group and parent company financial statements (the 'financial statements') of Macquarie UK Broadcast Holdings Limited for the year ended 30 June 2009 which comprise the consolidated profit and loss account, the consolidated balance sheet, the statement of group total recognised gains and losses, the consolidated cash flow statement, the company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2009 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



J Booker (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 October 2009

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Consolidated profit and loss account

	Note	Year ended 30 June 2009	Year ended 30 June 2008
		£'000	£'000
Continuing operations			
Turnover (including share of joint ventures)	2	806,852	759,574
Less: Share of joint ventures' turnover		(1,332)	-
Group turnover		805,520	759,574
Cost of sales		(356,837)	(322,720)
Gross profit		448,683	436,854
Administrative expenses		(378,484)	(393,926)
Group operating profit	3	70,199	42,928
Share of operating profit in associates		256	1,278
Total operating profit : Group and share of joint venture and associates		70,455	44,206
Exceptional items	4	(28,159)	-
Profit on ordinary activities before taxation and interest		42,296	44,206
Interest receivable and similar income	7	6,477	13,283
Interest payable and similar charges	8	(254,442)	(309,226)
Loss on ordinary activities before taxation		(205,669)	(251,737)
Tax on loss on ordinary activities	9	21,840	7,936
Loss for the financial year	22	(183,829)	(243,801)

There is no material difference between losses on ordinary activities for the year above, and the comparative year, and their historical cost equivalent.

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Consolidated balance sheet

	Note	30 June 2009 £'000	30 June 2008 £'000
Fixed assets			
Intangible assets	11	2,609,924	2,762,516
Tangible assets	12	1,340,240	1,237,442
Investments	13		
<i>Investments in joint venture</i>			
- Share of gross assets		4,190	-
- Share of gross liabilities		(4,494)	-
- Goodwill on acquisition		5,849	-
<i>Investments in associated undertakings</i>			
		2,444	1,703
		7,989	1,703
		3,958,153	4,001,661
Current assets			
Debtors : amounts falling due within one year	14	164,315	158,168
Cash at bank and in hand	15	28,198	233,027
		192,513	391,195
Creditors: amounts falling due within one year	16	(445,683)	(497,762)
Net current liabilities		(253,170)	(106,567)
Total assets less current liabilities		3,704,983	3,895,094
Creditors: amounts falling due after more than one year	17	(3,471,880)	(3,313,953)
Provisions for liabilities and charges	18	(57,447)	(91,301)
Net assets excluding pension deficit		175,656	489,840
Pension deficit	27	(7,229)	(4,673)
Net assets including pension deficit		168,427	485,167
Capital and reserves			
Called up share capital	19	653,928	653,928
Share premium account	20	315,638	315,638
Profit and loss account	21	(801,139)	(484,399)
Equity shareholders' funds	22	168,427	485,167

The accounting policies and notes on pages 12 to 36 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19 October 2009 and were signed on its behalf by:


Peter Shore - Director


Christian Seymour - Director

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Statement of group total recognised gains and losses

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Loss for the financial year	(183,829)	(243,801)
Actuarial loss on pension schemes	(3,030)	(8,720)
Exchange adjustment offset in reserves (translation of foreign investments)	(612)	492
Movement on deferred tax relating to net pension liability	848	2,442
Total recognised losses for the year	(186,623)	(249,587)

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Consolidated cash flow statement

	Note	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Net cash inflow from operating activities	23	259,991	305,416
Dividends from associates		-	807
Returns on investment and servicing of finance			
Interest received		6,477	13,342
Interest paid		(247,429)	(202,380)
Interest element of finance lease rentals		(1,313)	(1,267)
		(242,265)	(190,305)
Tax received / (paid)		714	(1,323)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(171,040)	(103,796)
Purchase of intangible fixed assets		-	(2,371)
Sale of tangible fixed assets		4	342
		(171,036)	(105,825)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(322)	(10,969)
Cash acquired with subsidiary undertakings		615	55
Purchase of associates and joint ventures		(6,030)	(50)
		(5,737)	(10,964)
Equity dividends paid		(130,117)	(19,147)
Financing			
Finance lease capital		(622)	(1,760)
Loans to associates and joint ventures		(1,600)	-
Capital raising costs		-	(10,505)
Repayment of external borrowings		(68,101)	-
Increase in external borrowings		153,944	-
		83,621	(12,265)
Decrease in cash	24	(204,829)	(33,606)
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(3,073,119)	(2,988,338)
Decrease in net cash		(204,829)	(33,606)
Movement in financing		(83,621)	12,265
Other non cash changes		(8,054)	(63,440)
Net debt at 30 June	24	(3,369,623)	(3,073,119)

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Company balance sheet

	Note	30 June 2009 £'000	30 June 2008 £'000
Fixed assets			
Investments	13	1,000	1,000
Current assets			
Debtors : amounts falling due within one year	14	1,204,936	1,164,179
Cash at bank and in hand	15	1,360	32,524
		1,206,296	1,196,703
Creditors: amounts falling due within one year	16	(21,090)	(21,927)
Net current assets		1,185,206	1,174,776
Net assets		1,186,206	1,175,776
Capital and reserves			
Called up share capital	19	653,928	653,928
Share premium account	20	315,638	315,638
Profit and loss account	21	216,640	206,210
Equity shareholders' funds	22	1,186,206	1,175,776

The accounting policies and notes on pages 12 to 36 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19 October 2009 and were signed on its behalf by:



Peter Shore - Director



Christian Seymour - Director

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention. The Company is exempt under s408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a profit for the year of £140,547,000 (2008: £127,633,000) prior to dividends paid of £130,117,000 (2008: £19,147,000).

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2009 and the results of all controlled entities for the year then ended.

Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes. Those disposed of are accounted for up until the date of disposal. Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. The consolidated financial statements include the appropriate share of those undertakings' results and reserves based on unaudited accounts to 30 June 2009. Associates are accounted for using the equity method of accounting in accordance with FRS 9 'Associates and joint ventures'. Joint ventures are accounted for using the gross equity method.

(c) Going concern

Despite having net current liabilities the Group adopts the going concern basis in preparing its consolidated financial statements based on future profit, cash flows and available facilities, which lead the Directors of the Company to have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for acquired subsidiaries, less accumulated depreciation and any provision for impairment, in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

In accordance with FRS 15 'Tangible fixed assets', directly attributable finance costs are capitalised where assets take a significant period of time to become ready for use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	60 – 70 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated.

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(e) Stocks

Stocks of network spares and consumables have been included in fixed assets. Stock is stated at the lower of cost and net realisable value as follows:

Raw materials and consumables	- purchase cost
Work in progress	- cost of direct materials and direct labour

Provision is made for slow-moving, obsolete and defective items where appropriate.

(f) Turnover

The Group's accounting policy in respect of turnover is set out in note 2.

(g) Intangible fixed assets and amortisation

Development costs

Development costs incurred on development of products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development', and are amortised from the commencement of service over the life of the relevant contract.

Licences

Licences acquired to operate radio services are capitalised and amortised on a straight line basis over their licence period.

Acquisitions

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

Access rights

Access rights are valued on acquisition and amortised on a straight line basis over their expected useful life.

(h) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11.

(i) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account. Exchange differences on translation of overseas operations are recognised through the 'Statement of group total recognised gains and losses'.

(j) Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and depreciated over their useful economic lives or the lease term, if shorter.

The capital element of future lease obligations are recorded as liabilities while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease payments for assets leased from third parties are charged to the profit and loss account on a straight line basis over the period of the lease.

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

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(k) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

(l) Provisions

The provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase on the provision due to the passage of time is recognised as interest expense.

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

(m) Post retirement benefits

Defined contribution schemes

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit schemes

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities.

Any defined benefit asset or liability is presented separately on the face of the balance sheet, and net of deferred tax.

(n) Borrowings

Borrowings are stated at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are amortised over the years of the borrowing to achieve a constant rate on the carrying amount. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan, unless capitalised as noted in policy (d).

(o) Cash at bank and in hand

Cash at bank and overnight deposits are disclosed within cash at bank.

(p) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable on deposits and payable on borrowings and finance leases.

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(q) Financial instruments

The Group uses interest rate swaps to reduce its exposure to fluctuations in interest rates. Receipts, payments and accreting liabilities on interest rate swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised. Amounts received and paid under interest rate swaps are shown net under financing costs, where they are part of the same legal agreement and settled net in practice.

(r) Share issue costs

In accordance with the provision contained in FRS 4 'Capital instruments', all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction in the proceeds of the relevant capital instruments.

2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, research and development contracts, external network services to national and international telecommunication operators, other contracts, rents from properties, excess above cost in respect of capital works contributions from third parties and charges made under site sharing agreements.

Where contracts meet the definition of long-term contracts under SSAP 9 'Stocks and long-term contracts', turnover and profit is recognised in accordance with the standard. Work is undertaken either on the basis that time and materials are billed as incurred or according to the terms of fixed price contracts. For time and material contracts, turnover and profit is recognised when the right to consideration has been established according to time worked and materials expended. With respect to fixed price contracts, turnover is recognised according to the percentage of the estimated total contract value completed or the achievement of contract milestones; a proportion of profit is also recognised as the contract progresses. All losses on fixed price contracts are recognised in the first period they are incurred or foreseen. Revenue and profit is recognised from project variations when it is expected that it will be recovered from customers.

In respect of short-term contracts which do not meet the definition of a long-term contract under SSAP 9, turnover and profit is recognised once the contract is complete. Completion is defined as the point at which all contractual obligations have been satisfied and the Group has an enforceable debt. Cash received in advance from customers is taken to deferred income and released to turnover over the life of the contract concerned.

As per the exemption in SSAP 25 'Segmental reporting', the Group has not disclosed segmental analysis in the financial statements as, in the view of the Directors, this would be seriously prejudicial to the interests of the Group.

3 Operating profit

Operating profit is stated after charging / (crediting):

	Group Year ended 30 June 2009 £'000	Group Year ended 30 June 2008 £'000
Depreciation of owned fixed assets	78,555	69,703
Depreciation of assets held under finance lease	1,074	968
Amortisation of goodwill in respect of subsidiaries	151,868	153,889
Amortisation of intangible assets	2,517	2,868
Operating lease rentals – communications infrastructure equipment	50,485	52,082
Loss on disposal of tangible fixed assets	353	5,180
Research and development	1,408	1,640
Foreign exchange losses / (gains)	1,330	(873)

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Services provided by the Group's Auditors and network firms

During the year the Group obtained the following services from the Group's Auditors at costs as detailed below:

	Group Year ended 30 June 2009	Group Year ended 30 June 2008
	£'000	£'000
Fees payable to Company Auditors for the audit of the parent company, consolidated accounts and subsidiary companies	498	644
Non-audit services		
Services relating to taxation	28	117
Services relating to transaction advice	650	198
All other services	13	204
	1,189	1,163

4 Exceptional costs

Exceptional costs incurred in the year were £28,159,000 (2008: £nil). This comprised redundancy costs of £17,450,000 resulting from the integration of the NGW group, and £10,709,000 of related costs such as systems integration activity and other charges.

5 Staff costs

The Company had no employees during the year. The monthly average number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2009	Group Year ended 30 June 2008
	Number	Number
Terrestrial Broadcast	61	75
Satellite & Media	465	433
Wireless Access	159	177
Operations	1,366	1,293
Corporate Support	298	322
	2,349	2,300

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2009	Group Year ended 30 June 2008
	£'000	£'000
Wages and salaries	115,494	104,652
Social security costs	11,413	11,534
Other pension costs	12,842	10,623
Total staff costs	139,749	126,809

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6 Directors' emoluments

	Group Year ended 30 June 2009 £'000	Group Year ended 30 June 2008 £'000
Aggregate emoluments	50	50

One Director (2008: one) is an employee of Arqiva Limited. There are no recharges (2008: £nil) made to the Group in respect of any remuneration for any other Directors as their duties in respect of the Group are incidental to their normal duties on behalf of their employer companies.

The Group incurred costs of £47,000 (2008: £17,000) in respect of amounts recharged from the Directors' employer companies for the direct costs of Directors attending board meetings during the period.

7 Interest receivable and similar income

	Group Year ended 30 June 2009 £'000	Group Year ended 30 June 2008 £'000
Bank interest	2,439	11,654
Finance lease interest receivable	263	341
Other interest	3,775	1,288
	6,477	13,283

8 Interest payable and similar charges

	Group Year ended 30 June 2009 £'000	Group Year ended 30 June 2008 £'000
Bank loan interest	151,058	205,006
Less: Capitalised interest	(6,796)	(3,204)
Net bank loan interest	144,262	201,802
Amortisation of debt issue costs	12,293	12,628
Finance lease interest	1,313	1,267
Loan note interest – payable to parent undertaking	55,061	58,794
Loan note interest – other shareholders	29,691	26,192
Other interest	11,822	8,543
	254,442	309,226

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9 Taxation

	Group Year ended 30 June 2009 £'000	Group Year ended 30 June 2008 £'000
(a) Analysis of tax (credit) / charge for the year		
Current tax		
UK Corporation tax from prior year	(2,802)	-
Overseas tax	608	618
Total current tax (credit) / charge	(2,194)	618
Deferred tax		
Origination and reversal of timing differences	(14,598)	(11,787)
Deferred tax on pension liability charged to profit and loss account	(145)	692
Prior year adjustment	(4,903)	2,541
Total deferred tax	(19,646)	(8,554)
Tax credit on loss on ordinary activities	(21,840)	(7,936)
(b) Factors affecting the current tax charge for the year:		
The tax assessed for the period is less than the standard rate of tax in the UK (28%). The differences are explained below:		
Loss on ordinary activities before taxation	(205,669)	(251,737)
Loss before taxation multiplied by standard rates of corporation tax in the United Kingdom of 28% (2008: 28%)	(57,587)	(70,486)
Expenses not deductible for tax purposes	789	1,047
Amortisation of goodwill	42,523	43,088
Depreciation in excess of capital allowances	14,580	11,654
Non qualifying depreciation	3,402	8,649
Associate / joint venture income with no tax applicable	(72)	(358)
Income not subject to corporation tax	(2,433)	(2,520)
(Utilisation) / generation of unrecognised tax losses	(840)	9,479
Prior year adjustment	(2,802)	-
Overseas tax rate in excess of the UK tax rate	246	65
Total current tax	(2,194)	618

The average rate of UK corporation tax for the year ended 30 June 2008 was 29.5%, however 28% has been utilised for the tax reconciliation as there was no current UK corporation tax liability and deferred tax was recognised at a rate of 28%.

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10 Dividends

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Equity – Ordinary		
Interim dividend paid on 29 July 2008 16.82p (2008: nil) per £1 share	110,000	-
Interim dividend paid on 28 January 2009 3.08p (2008 : 2.93p) per £1 share	20,117	19,147
	130,117	19,147

11 Intangible fixed assets

	Licences	Development costs	Access rights	Goodwill	Total Group
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2008	5,396	925	13,809	3,036,319	3,056,449
Reclassification to tangible fixed assets	(1,673)	-	-	-	(1,673)
Reclassification	(85)	-	85	-	-
Fair value adjustments	-	-	(1,123)	-	(1,123)
Additions	-	-	2,790	1,799	4,589
At 30 June 2009	3,638	925	15,561	3,038,118	3,058,242
Amortisation					
At 1 July 2008	761	58	2,552	290,562	293,933
Charged in the year	280	231	2,006	151,868	154,385
At 30 June 2009	1,041	289	4,558	442,430	448,318
Net book value					
At 30 June 2009	2,597	636	11,003	2,595,688	2,609,924
At 30 June 2008	4,635	867	11,257	2,745,757	2,762,516

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with SSAP 13 – 'Accounting for research and development'. These are amortised over their expected useful life once the product or service has been commercially launched.

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Acquisition of Macropolitan Limited

On 6 December 2007 the Group acquired 100% of the share capital of Macropolitan Limited. The fair value of assets and liabilities acquired have been finalised in the year.

	Provisional Fair Value 30 June 2008	Fair Value Adjustments	Final Fair Value
	£'000	£'000	£'000
Intangible fixed assets	9,502	(1,123)	8,379
Bank and cash	55	-	55
Creditors	(15)	-	(15)
Net assets acquired	9,542	(1,123)	8,419
Goodwill	-	-	-
Cash consideration (including expenses)	9,542	(1,123)	8,419

The fair value adjustments have resulted from a repayment of consideration held in escrow of £1,265,000, partially offset by additional acquisition expenses of £142,000.

Acquisition of JFMG Limited ('JFMG')

On 18 February 2009 the Group completed the acquisition of JFMG. JFMG has an accounting period ending 18 February, which will be brought into line with the rest of the Group. JFMG has been contracted by Ofcom to manage and licence the radio spectrum used for PMSE

During the period from acquisition to 30 June 2009, JFMG reported the following results:

	£'000
Turnover	545
Administrative expenses	(434)
Operating profit	111

The provisional fair value of assets and liabilities acquired is as follows:

	Book value	Fair Value Adjustments	Provisional Fair Value
	£'000	£'000	£'000
Bank and cash	615	-	615
Debtors	326	-	326
Creditors	(1,153)	-	(1,153)
Net (liabilities) acquired	(212)	-	(212)
		Goodwill	1,799
		Cash consideration	1,587

The book values of the assets and liabilities have been taken from the JFMG accounts as at 18 February 2009.

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12 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Total Group £'000
Cost				
At 1 July 2008	380,701	38,748	925,539	1,344,988
Reclassification	(11,023)	7,059	(18,519)	(22,483)
Reclassification from intangible fixed assets	-	-	1,673	1,673
Additions	592	-	180,568	181,160
Disposals	(88)	-	(4,783)	(4,871)
At 30 June 2009	370,182	45,807	1,084,478	1,500,467
Accumulated depreciation				
At 1 July 2008	9,668	2,540	95,338	107,546
Reclassification	(5,829)	(306)	(16,348)	(22,483)
Charge for the period	4,620	1,006	74,003	79,629
Disposals	(84)	-	(4,381)	(4,465)
At 30 June 2009	8,375	3,240	148,612	160,227
Net book value				
At 30 June 2009	361,807	42,567	935,866	1,340,240
At 30 June 2008	371,033	36,208	830,201	1,237,442
Freehold land at valuation included above not depreciated				134,329

The Group's fixed and other assets have been pledged as security under fixed and floating charges that have arisen as a result of borrowing agreements entered into by the Group (see note 26).

Borrowing costs capitalised during the period totalled £6,796,000 (2008: £3,204,000) at a capitalisation rate of 5.01% (2008: 7.82%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £11,416,000 (2008: £4,620,000).

Assets held under finance leases, capitalised and included within fixed assets above:

	Land and Buildings £'000	Other £'000
Cost	10,907	1,603
Accumulated depreciation	(1,563)	(1,071)
Net book value		
At 30 June 2009	9,344	532
At 30 June 2008	9,790	532

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13 Investments

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

Company	Country of Incorporation	Principal Activities	Year End	Percentage of Ordinary Shares Held
Macquarie UK Broadcast Services Plc (held directly)	United Kingdom	Holding company	30-June	99.99%
Macquarie UK Broadcast Enterprises Limited	United Kingdom	Holding company	30-June	100%
Macquarie UK Broadcast Ventures Limited	United Kingdom	Holding company	30-June	100%
Macquarie UK Broadcast Limited	United Kingdom	Holding company	30-June	100%
MUKBL Digital Limited	United Kingdom	Holding company	30-June	100%
MUKBL Digital Radio Limited	United Kingdom	Holding company	30-June	100%
Arqiva Limited	United Kingdom	Transmission services	30-June	100%
Arqiva Inc	USA	Satellite transmission services	30-June	100%
Arqiva SRL	Italy	Satellite transmission services	30-June	100%
Arqiva SAS	France	Satellite transmission services	30-June	100%
Macropolitan Limited	United Kingdom	Site management	30-June	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-June	100%
Arqiva Holding Limited	United Kingdom	Holding company	30-June	100%
Arqiva Services Limited	United Kingdom	Telecommunications and broadcast infrastructure	30-June	100%
Arqiva Finance Plc	United Kingdom	Dormant (previously financial intermediation)	30-June	100%
Arqiva No 2 Limited	United Kingdom	Telecommunications infrastructure	30-June	100%
Lattice Telecommunications Asset Development Company Limited	United Kingdom	Telecommunications infrastructure	30-June	100%
Arqiva Aerial Sites plc	United Kingdom	Management of aerial sites	30-June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	18-Feb	100%
Arqiva No 3 Limited	United Kingdom	Original pylon business	30-June	100%
Joint ventures				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30 June	16.4%
Associate Undertakings:				
Digital One Limited	United Kingdom	Radio and television activities	31-Mar	36.7%*
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31-Dec	25%
DTV Services Limited	United Kingdom	Free view market services co-ordination	31-May	20%

* Refer to post balance sheet events note (note 31).

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Group

	Investments in associates and joint ventures
	£'000
At 1 July 2008	1,703
Share of retained profits	256
Acquisitions	6,030
At 30 June 2009	7,989

Company

	Investments in subsidiaries
	£'000
At 1 July 2008 and 30 June 2009	1,000

14 Debtors: amounts falling due within one year

	Group 30 June 2009	Group 30 June 2008	Company 30 June 2009	Company 30 June 2008
	£'000	£'000	£'000	£'000
Trade debtors	84,469	83,784	-	-
Amounts owed by group undertakings	-	-	1,204,846	1,163,958
Amounts owed by joint ventures	1,607	-	-	-
Other debtors	14,256	15,338	90	221
Prepayments and accrued income	63,983	59,046	-	-
	164,315	158,168	1,204,936	1,164,179

Company

Amounts owed by group undertakings are unsecured and repayable on demand. Interest has been charged on £659,060,000 at 9.75%, £507,009,000 at 18% and £38,777,000 at 0% (2008: £626,264,000 at 9.75%, £503,059 at 18% and £34,635,000 at 0%).

Under the terms of the inter-company agreements the Company will only demand repayment of the loans if this would not cause any of the Group undertakings to become insolvent.

The Directors consider that the fair value of debtors closely approximates to book value.

Included within 'other debtors' are the following amounts receivable under finance leases:

Finance leases

	Group 30 June 2009	Group 30 June 2008
	£'000	£'000
Net investment in finance leases and hire purchase contracts comprises		
Total amounts receivable	7,008	9,066
Less: Interest allocated to future periods	(3,369)	(5,405)
	3,639	3,661

Rentals receivable during the year under finance leases and hire purchase contracts amount to £2,058,000 (2008: £414,000).

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15 Cash at bank and in hand

	Group 30 June 2009 £'000	Group 30 June 2008 £'000	Company 30 June 2009 £'000	Company 30 June 2008 £'000
Cash at bank	5,627	91,980	-	1
Short term deposits	22,571	141,047	1,360	32,523
	28,198	233,027	1,360	32,524

16 Creditors: amounts falling due within one year

	Group 30 June 2009 £'000	Group 30 June 2008 £'000	Company 30 June 2009 £'000	Company 30 June 2008 £'000
Bank loans				
Senior debt – A1	-	40,212	-	-
Senior debt – A2	-	15,566	-	-
Junior debt	-	12,323	-	-
Working capital facility	19,813	-	-	-
	19,813	68,101	-	-
Trade creditors	76,896	63,190	-	-
Amounts owed to group undertakings	-	-	17,260	16,039
Other taxes and social security costs	1,217	6,994	-	-
Other creditors	21,493	25,163	-	-
Accruals and deferred income	325,514	333,881	3,830	5,888
Finance lease obligations	750	433	-	-
	445,683	497,762	21,090	21,927

The Directors consider that the fair value of creditors closely approximates to book value.

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17 Creditors: amounts falling due after more than one year

	Group 30 June 2009 £'000	Group 30 June 2008 £'000
Bank loans		
Senior debt – A1	1,509,788	1,509,788
Senior debt – A2	584,434	584,434
Senior debt - facility C	152,131	18,000
Junior debt	462,677	462,677
Accrued liability on interest rate swap	63,151	68,359
Less: issue costs	(64,248)	(77,658)
	2,707,933	2,565,600
Other loans		
Loans notes issued to parent undertakings	424,133	422,905
Loan notes issued to third parties	231,000	232,369
	655,133	655,274
Finance lease obligations	15,799	16,738
Accruals and deferred income	93,015	76,341
Total	3,471,880	3,313,953

	Group 30 June 2009 £'000	Group 30 June 2008 £'000
Maturity of loans		
Within one year	20,563	68,534
In more than one year, but not more than five years	1,759	2,244
In more than five years	3,377,106	3,235,368
	3,399,428	3,306,146

Finance leases

Future minimum payments under finance leases are as follows:

	30 June 2009 £'000	30 June 2008 £'000
Within one year	1,991	1,867
In more than one year, but not more than five years	6,307	6,691
After five years	24,807	26,330
Total gross payments	33,105	34,888
Less finance charges included above	(16,556)	(17,717)
	16,549	17,171

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All senior debt represents amounts borrowed by Macquarie UK Broadcast Ventures Limited ('MUKBV') under a Senior Facility Agreement with Barclays Capital, Dresdner Kleinwort Limited, HSBC Bank Limited and the Royal Bank of Scotland plc as arrangers, for a facility of £2,925,000,000, further to a Senior Facility Agreement dated 3 April 2007.

All junior debt represents amounts borrowed by Macquarie UK Broadcast Enterprises Limited ('MUKBE') under a Junior Facility Agreement with Barclays Capital, Dresdner Kleinwort Limited, HSBC Bank Limited and the Royal Bank of Scotland plc as arrangers for a facility of £475,000,000 further to a Junior Facility Agreement dated 3 April 2007.

The senior and junior debt have certain covenants attached and are secured by way of a fixed and floating charge over the Group's assets. The loans have the following interest rates and are repayable as shown below:

	Repayable by	Interest rate until April 2010	Interest rate until April 2011	Interest rate until April 2012	Interest rate until April 2013	Interest rate until maturity
Senior A1	1 July 2014	LIBOR + 1.75%	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%
Senior A2	1 December 2014	LIBOR + 2.00%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%	LIBOR + 2.75%
Senior – facility C	1 July 2014	LIBOR + 1.75%	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%
Junior	1 July 2015	LIBOR + 4.00%	LIBOR + 4.25%	LIBOR + 4.50%	LIBOR + 4.75%	LIBOR + 5.00%

MUKBV has entered into a number of interest rate swaps and indexed swap agreements for principal value of £2,625,000,000. £1,312,500,000 has been hedged via interest rate swaps for a fixed rate of 5.239%, and £1,312,500,000 has been hedged at 2.02% indexed with RPI. The swaps have been put in place until April 2027 but have a mandatory termination date of 3 April 2014.

In addition, MUKBV entered into cash flow swaps with a principal value of £2,625,000,000, to exchange bi-annual payments for monthly internal payments. The swaps are in place until June 2010.

The fair value of swaps held at 30 June 2009, held off balance sheet in accordance with Group accounting policy is a liability of £491,955,000 (2008: £263,431,000).

18 Provisions for liabilities and charges

	Onerous contract	Decommissioning	Remediation and maintenance	Other	Deferred tax	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2008	7,657	17,659	15,771	8,969	41,245	91,301
Reclassification	507	674	-	(1,181)	-	-
Released to profit and loss account	-	-	(416)	(7,028)	(19,501)	(26,945)
Charged to profit and loss account	19	692	-	336	-	1,047
Utilised	(3,015)	(2,657)	(1,970)	(314)	-	(7,956)
At 30 June 2009	5,168	16,368	13,385	782	21,744	57,447

The onerous contract provision primarily relates to certain supplier contracts and is expected to be utilised over the next four years.

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties.

The remediation and maintenance provision represents the cost of upgrading certain sites to meet new safety standards and is expected to be utilised over the next five years.

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

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The provision for deferred tax is analysed below:

	30 June 2009	30 June 2008
	£'000	£'000
Accelerated capital allowances	25,460	46,233
Short term timing differences	(518)	(1,791)
Tax losses	(3,198)	(3,197)
Undiscounted provision for deferred tax	21,744	41,245

There is an unrecognised deferred tax asset of £28,870,000 (2008: £20,243,000) in respect of tax losses which are not anticipated to be utilised in the foreseeable future.

19 Share capital

	Group and Company	Group and Company
	2009	2008
	£'000	£'000
Authorised:		
1,016,500,000 ordinary shares of £1 each	1,016,500	1,016,500
Allotted, called up and fully paid:		
653,928,000 ordinary shares of £1 each	653,928	653,928

20 Share premium account

	Group and Company
	£'000
At 1 July 2008 and 30 June 2009	315,638

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21 Profit and loss reserve

	Year ended 30 June 2009 £'000
Group	
At 1 July 2008	(484,399)
Actuarial loss on pension schemes	(3,030)
Movement on deferred tax relating to net pension asset / liability	848
Dividends paid	(130,117)
Exchange adjustments offset in reserves (translation of foreign investments)	(612)
Loss for the financial year	(183,829)
At 30 June 2009	(801,139)
Company	
At 1 July 2008	206,210
Dividends paid	(130,117)
Profit for the financial year	140,547
At 30 June 2009	216,640

22 Reconciliation of movement in shareholders' funds

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Group		
Loss for the financial year	(183,829)	(243,801)
Dividends	(130,117)	(19,147)
Other recognised gains and losses relating to the year	(2,794)	(5,786)
Net change in shareholders' funds	(316,740)	(268,734)
Opening shareholders' funds	485,167	753,901
Closing shareholders' funds	168,427	485,167
Company		
Profit for the financial year	140,547	127,633
Dividends	(130,117)	(19,147)
Net change in shareholders' funds	10,430	108,486
Opening shareholders' funds	1,175,776	1,067,290
Closing shareholders' funds	1,186,206	1,175,776

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23 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Group Year ended 30 June 2009 £'000	Group Year ended 30 June 2008 £'000
Operating profit	70,199	42,928
Exceptional items	(28,159)	-
Depreciation charge	79,629	70,671
Amortisation charge	154,385	156,757
Loss on sale of tangible fixed assets	353	5,180
Increase in debtors	(4,153)	(4,543)
Increase in creditors	2,090	30,497
Net (decrease) / increase in provisions	(14,353)	3,926
Net cash inflow from operating activities	259,991	305,416

24 Analysis of changes in net debt

	At 1 July 2008 £'000	Cash flows £'000	Non-cash changes £'000	At 30 June 2009 £'000
Cash at bank and in hand (note 15)	233,027	(204,829)	-	28,198
Loans to joint ventures (note 14)	-	1,600	7	1,607
Debt due within one year (note 16)	(68,101)	48,288	-	(19,813)
Debt due after one year (note 17)	(3,220,874)	(134,131)	(8,061)	(3,363,066)
Finance leases (note 17)	(17,171)	622	-	(16,549)
Total	(3,073,119)	(288,450)	(8,054)	(3,369,623)

Major non-cash changes include £5,208,000 decrease in accrued liability on interest rate swap and £13,269,000 decrease in debt issue costs.

25 Commitments for expenditure

Capital commitments

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

	30 June 2009 £'000	30 June 2008 £'000
Within one year	50,754	37,933
Later than one year but not later than five years	11,484	34,218
Later than five years	11	-
	62,249	72,151

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Operating leases

Annual commitments in relation to non-cancellable operating leases for land, buildings and other infrastructure locations expiring:

	30 June 2009	30 June 2008
	£'000	£'000
Within one year	1,414	556
Later than one year but not later than five years	12,233	11,434
Later than five years	41,928	39,959
Total	55,575	51,949

Other operating commitments

Other annual lease commitments expiring:

	30 June 2009	30 June 2008
	£'000	£'000
Within one year	502	277
Later than one year but not later than 5 years	585	671
	1,087	948

26 Contingent liabilities

Under the terms of the Group debt facilities, the Company has entered into charges over the fixed and other assets as security under fixed and floating charges.

The Group has provided an indemnity to the two Inmedia trading companies whose assets and liabilities were acquired during the year to 30 June 2006 in respect of any actions and claims made against those companies.

The Group is the lessee for various properties occupied by companies forming part of the Virgin Media (formerly NTL group). Arqiva Limited is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2009. The Group remain the main tenant on two of the leases. Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total. The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 30 June 2009 total £12,003,000 (2008: £14,240,000). Although Virgin Media have indemnified Arqiva Limited for these costs, Arqiva Limited remains ultimately liable for the costs concerned.

27 Pension commitments

Defined benefit scheme

Arqiva Limited operates two defined benefit pension schemes; the "Arqiva Defined Benefit Pension Plan" and the "Arqiva Services Limited Pension Scheme".

Defined benefit scheme - the Arqiva Defined Benefit Pension Plan

The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

The FRS17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the gross pension liability).

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Assumptions

An actuarial valuation was carried out at 30 June 2009 in consultation with an independent firm of consulting actuaries, KPMG LLP. The principal assumptions made are:

	30 June 2009	30 June 2008	30 June 2007
Price inflation	3.75%	4.15%	3.1%
Discount rate	6.45%	6.1%	5.7%
Pension increases (LPI with a minimum of 3%)	3.85%	4.1%	3.5%
Salary growth	4.25%	5.65%	4.6%
Life expectancy of a male age 60	25.5yrs	25.8yrs	25.7yrs

Asset distribution and long term rate of return expected

	30 June 2009	30 June 2009	30 June 2008	30 June 2008	30 June 2007	30 June 2007
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected return	Fair value £'000
Equities	7.2%	18,236	8.2%	16,100	8.2%	12,100
Cash	0.5%	564	4.9%	500	4.9%	500
Total		18,800		16,600		12,600

Balance sheet

Total fair value of assets	18,800	16,600	12,600
Present value of scheme liabilities	(23,500)	(21,800)	(13,600)
Gross pension liability	(4,700)	(5,200)	(1,000)
Deferred tax asset	1,316	1,456	280
Net pension liability	(3,384)	(3,744)	(720)

Employer contributions have been at a rate of 25.5% of pensionable salaries with effect from 1 February 2007.

The Group has agreed with the Trustees to make additional contributions, if required, that will eliminate the pension deficit by the next formal actuarial valuation.

The post retirement deficit under FRS17 moved over the period as follows:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Deficit at 1 July	(5,200)	(1,000)
Current service costs	(5,200)	(5,700)
Settlements	(600)	-
Contributions	4,400	5,500
Other net finance income	-	300
Actuarial gain / (loss)	1,900	(4,300)
Deficit at 30 June	(4,700)	(5,200)

The following amounts have been included within operating profit:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Current service cost (employer only)	5,200	4,800
Settlement	600	-
Total operating charge	5,800	4,800

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The following amounts have been included as net finance income under FRS17:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Expected return on pension scheme assets	1,500	1,200
Interest on post retirement liabilities	(1,500)	(900)
Net return to credit to finance income	-	300

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS17:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Actual return less expected return on scheme assets	(4,000)	(2,600)
Experience losses arising on scheme's liabilities	(300)	(300)
Gains / (losses) due to changes in assumptions underlying the FRS17 value of scheme liabilities	6,200	(1,400)
Actuarial gain / (loss) recognised in the STRGL	1,900	(4,300)

The history of experience gains and losses is:

	2009	2008	2007	2006	2005
Actual return less expected return on scheme assets (£'000)	(4,000)	(2,600)	800	(200)	-
Percentage of Scheme's assets	(21%)	(16%)	6%	(4%)	-
Experience (losses) and gains arising on scheme's liabilities (£'000)	(300)	(300)	800	400	-
Percentage of the FRS17 value of the scheme's liabilities	(1%)	(1%)	6%	5%	-
Total amount recognised in the STRGL (£'000)	1,900	(4,300)	2,300	100	(100)
Percentage of the FRS17 value of the scheme's liabilities	8%	(20%)	17%	1%	(3%)

The scheme is closed to new entrants and, under the method used to calculate pension costs in accordance with FRS17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

Defined benefit scheme – the Arqiva Services Limited Pension Scheme (formerly 'National Grid Wireless Pension Scheme')

Arqiva Services Limited, part of the former NGW group, operated a defined benefit pension plan, the "Arqiva Services Limited Pension Scheme". As part of the TUPE transfer on integration of the NGW group into the Group, Arqiva Limited became the employer of the scheme. The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

The FRS17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the gross pension liability).

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Assumptions

An actuarial valuation was carried out at 30 June 2009 in consultation with an independent firm of consulting actuaries, KPMG LLP. The principal assumptions made are:

	30 June 2009	30 June 2008	30 June 2007
Price inflation	3.75%	3.85%	3.35%
Discount rate	6.45%	6.50%	5.80%
Pension increases (RPI capped at 10%)	3.75%	3.85%	3.40%
Salary increases	4.25%	-	-
Life expectancy of a male age 60	25.5yrs	26.8 yrs	26.7 yrs

Asset distribution and long term rate of return expected

	30 June 2009 Expected return	30 June 2009 Fair value £'000	30 June 2008 Expected return	30 June 2008 Fair value £'000	30 June 2007 Expected return	30 June 2007 Fair value £'000
Equities	7.2%	21,363	8.0%	29,898	8.2%	35,969
Bonds	6.25%	26,827	5.0%	16,942	5.5%	11,449
Cash	0.5%	1,490	5.0%	2,990	5.5%	72
Total		49,680		49,830		47,490
Balance sheet						
Total fair value of assets		49,680		49,830		47,490
Present value of scheme liabilities		(55,020)		(51,120)		(46,480)
Gross pension (liability) / asset		(5,340)		(1,290)		1,010
Deferred tax asset / (liability)		1,495		361		(303)
Net pension (liability) / asset		(3,845)		(929)		707

With effect from October 2007, members contribute at a rate of 9.0% of pensionable salaries. With effect from 1 April 2007 the Group contributes at a rate of 21% of pensionable salaries plus £1.1m each April between 2008 and 2012 inclusive.

The post retirement deficit under FRS17 moved over the period as follows:

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
(Deficit) / Surplus at 1 July	(1,290)	1,010
Current service costs	(1,850)	(1,670)
Settlements	(240)	-
Contributions	2,790	2,920
Other net finance income	180	870
Actuarial losses	(4,930)	(4,420)
Deficit at 30 June	(5,340)	(1,290)

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The following amounts have been included within operating profit:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Current service cost (employer only)	1,850	1,670
Settlement	240	-
Total operating charge	2,090	1,670

The following amounts have been included as net finance income under FRS17:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Expected return on pension scheme assets	3,570	3,630
Interest on post retirement liabilities	(3,390)	(2,760)
Net return to credit to finance income	180	870

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS17:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Actual return less expected return on scheme assets	(6,640)	(7,360)
Experience losses arising on scheme's liabilities	(659)	-
Gains due to changes in assumptions underlying the FRS17 value of scheme liabilities	2,369	2,940
Actuarial loss recognised in the STRGL	(4,930)	(4,420)

The history of experience gains and losses is:

	2009	2008	2007
Actual return less expected return on scheme assets (£'000)	(6,640)	(7,360)	380
Percentage of Scheme's assets	(13%)	(15%)	1%
Experience losses arising on scheme's liabilities (£'000)	(659)	-	-
Percentage of the FRS17 value of the scheme's liabilities	(1%)	-	-
Total amount recognised in the STRGL (£'000)	(4,930)	(4,420)	1,800
Percentage of the FRS17 value of the scheme's liabilities	(9%)	(9%)	4%

The scheme is closed to new entrants and, under the method used to calculate pension costs in accordance with FRS17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

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Other pension schemes

Arqiva Limited

Arqiva Limited operates two defined contribution schemes, for those employees who are not members of the Defined Benefit scheme described above. One scheme is for the legacy Arqiva employees and one for the legacy NGW employees.

Legacy Arqiva scheme

Contributions payable in respect of this scheme for the year were £2,411,000 (2008: £1,960,000). The assets of the scheme are held outside of Arqiva Limited.

An amount of £250,000 (2008: £165,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

Legacy NGW scheme

Contributions payable in respect of this scheme for the year were £1,987,000 (2008: £2,193,000). The assets of the scheme are held outside of NGW.

An amount of £148,000 (2008: £nil) is included in accruals being the outstanding contributions to the defined contribution scheme.

28 Related party disclosures

On a consolidated basis transactions and balances between group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 'Related Party Transactions'.

On a company basis, the Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

Related party transactions:

2009

	Macquarie Bank Limited*	Airwave*	MGIF II*	MIIF*	MEIF II*	Macquarie Prism*	Macquarie Capital Group Limited*	Macquarie International Communications*	MTAA Superannuation*
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Equity distributions	-	-	1,886	11,607	1,244	1,001	-	84,187	6,354
Swaps entered into (principal value)	875,000	-	-	-	-	-	-	-	-
Swaps closed out	1,312,500	-	-	-	-	-	-	-	-
Swap interest (net paid)	14,389	-	-	-	-	-	-	-	-
Loan note interest	-	-	1,231	7,379	5,251	691	-	55,061	4,387
Advisory Fees - Acquisitions	-	-	-	-	-	-	861	-	-
Sales (net)	-	3,313	-	-	-	-	-	-	-
Expenses	-	3	-	-	-	-	365	-	13
Trade debtors	-	861	-	-	-	-	-	-	-

* A part of the Macquarie group and a related party by virtue of common control

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2008

	Macquarie Bank Limited*	Airwave*	GIF II*	MEIF*	Macquarie Prism*	Macquarie Capital Funds (Europe) Limited*	Macquarie Internal Communications*	MTAA Superannuation*
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Equity distributions	-	-	272	1,664	143	-	11,500	907
Swaps entered into (principal value)	1,575,000	-	-	-	-	-	-	-
Swaps interest received	(6,408)	-	-	-	-	-	-	-
Loan note interest	-	-	1,222	7,514	642	-	54,481	4,074
Sales (net)	-	14,886	-	-	-	-	-	-
Purchases (net)	-	-	-	-	-	-	-	-
Expenses	2	-	-	-	-	157	-	-
Trade debtors	-	857	-	-	-	-	-	-

* A part of the Macquarie group and a related party by virtue of common control

During the year the Group received no dividends from Digital One Limited, an associate (2008: £807,000).

During the year the Group advanced a loan of £1,600,000 to Arts Alliance Media Investment Limited, a joint venture company, at a fixed interest rate of 15%. The amount outstanding at 30 June 2009 including accrued interest was £1,607,000 (2008: £nil).

29 Immediate parent company

The Company's immediate parent company is Macquarie International Communications Assets Limited ('MICAL'), which is registered in Bermuda. MICAL is 100% owned by MCG.

30 Controlling party

At 30 June 2009, the MUKBHL group was owned by a consortium of seven shareholders. The majority of the shares were held by investment funds managed by the Macquarie group, including MCG.

MCG was a listed security quoted on the Australian Securities Exchange (ASX code: MCG). One MCG stapled security comprised a unit in Macquarie Communications Infrastructure Trust, a share in Macquarie Communications Infrastructure Limited and a share in Macquarie MCG International Limited. Copies of the MCG consolidated financial statements can be obtained from 1 Martin Place, Sydney, NSW 2000, Australia, or from the website www.macquarie.com.au/au/mcg.

MCG is the parent undertaking of the largest group to consolidate these financial statements.

31 Post balance sheet events

A meeting of shareholders of MCG took place on 30 June 2009 where the proposed takeover of MCG by CPPIB was approved by shareholders. The transaction completed on 21 July 2009. As a result of the transaction CPPIB hold a 48% stake in the Group, MEIFII 21%, other Macquarie funds 13% and minorities 18%.

On 21 July 2009 a subsidiary company, MUKBL Digital Radio Limited, acquired the remaining shares (63%) in Digital One Limited for consideration of £3,067,000. Digital One was previously accounted for as an associate as at 30 June 2009 and it has now become a full subsidiary. Digital One operates a national DAB mux, meaning the Group has become a mux operator in radio as well as television.

On 25 August 2009, Arqiva Limited completed the acquisition of the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4.