



**Arqiva Holdings Limited**

Registered number 03242381

**Annual Report and Consolidated  
Financial Statements**

For the year ended 30 June 2013

# Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

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## Chairman's Statement

Financial year 2013 has been not only a very successful period for Arqiva but also one of considerable change.

In October 2012 the group delivered the last site of the Digital Switchover (DSO) Programme a £600m, 7 year, complex capital project converting the whole country from terrestrial analogue to digital television. This project was delivered on time and under budget an achievement praised by the Prime Minister, David Cameron, in a message to the company. This project has added over £4bn to the group's order book however as it comes to an end the focus now changes to the post DSO world.

Following a strategic review we have set ambitious growth targets for the company over the next few years which compares to the flat revenues of the last 3 or 4 years. In order to achieve this we have looked hard at what we have to do differently and have started on the road to transforming the group so that we can realise the ambitions of both management and the shareholders. The key areas of focus can be summarised as follows:

1. Put our customers at the heart of everything we do.
2. Ensure our employees clearly understand what is expected of them and what part they can play in supporting customers and enabling growth.
3. Strengthen the financing structure of the group to allow us to compete for larger contracts.
4. Invest in new areas that maximise the value of our core assets and deliver new products that help our customers operate better.
5. Look to improve efficiency and effectiveness and better align our structure to support delivery of product to customers.

We now undertake regular customer surveys to better understand our customers' requirements and ensure we are providing the best possible service. Management have set up internal customer teams that focus on our key customers ensuring we drive continual improvement in the service we provide.

During the year management have invested a significant amount of time and resource in setting a new purpose, vision and set of values for the group. We believe these are a key part of the transformation of Arqiva and have ensured that every member of staff has received appropriate training so that all are aware of what is expected of them and how they can contribute to the success of the company.

In February, management successfully completed the refinancing of the group. This was a two year process that included the achievement of a BBB rating from two Rating Agencies and ended with a significantly oversubscribed debt offering. We believe we now have a solid financial foundation from which to launch our growth agenda.

During the year we made two acquisitions, Spectrum Interactive and Connect TV. Although neither were large, both allow us to get a significant foothold in key markets that would otherwise have taken a number of years to break in to but we believe complement our existing products. Spectrum Interactive operates in the Wi-Fi space and Connect TV is a player in the Hybrid TV market.

In addition to these we have strengthened both our strategy and product development teams whose role it is to identify opportunities which will benefit our customers and drive the growth we seek.

Continual improvement in process to drive efficiency and effectiveness is also now at the core of what we are trying to do. We have made a substantial investment in this area and although there remains a lot to do we are already seeing the benefits of the investment made.

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The results of these changes are now starting to be seen and in recent months Arqiva has won a number of significant contracts which strengthens our resolve that the changes we are making are right. Examples of contract wins include:

- the announcement from the Department for Energy and Climate Change that we have been awarded the Smart Metering contract for the North region a contract value of £625m.
- the announcement from the Department of Culture, Media and Sport that we have been awarded the contract to deliver the Mobile Infrastructure Project with a contract value of circa £100m.
- We have been awarded the contract to transmit local TV on behalf of the new multiplex operator appointed by Ofcom.
- We have been awarded the license to establish two new HD multiplexes in the 600MHz spectrum band to run to 2026 with a possible break in 2018.
- We have also had significant success in the WiFi business; winning distribution rights in a number of a key locations including most UK airports and a number of key London Boroughs.

We believe these successes demonstrate that Arqiva is now on track to deliver the growth agenda it has set itself. Although there still remains much to do we look forward to the future with optimism.

On behalf of the Board, I would like to thank the entire staff of Arqiva for their contribution during the past year. Under the leadership of John Cresswell (Chief Executive) and the Management Board, the truly collaborative approach of the 2,000 people across the business has been instrumental in the many successes we have celebrated this year.



**Peter Shore**  
Chairman

## Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Holdings Limited, registered company number 03242381, ('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 2013.

### The Arqiva Group - principal activities

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental to mobile network operators, media services and radio communications in the United Kingdom ('UK').

The Group has structured its business into three customer facing business units, supported by an operations division and central corporate functions. The business units within the Group comprise:

- Broadcast and Media ('B&M') is the sole provider of transmission services for all UK terrestrial TV broadcasters including the BBC, ITV and C4, who reach 20 million homes and cover 98.5% of the population. B&M operates the new networks built for the Digital Switch Over ('DSO'). The Group has ownership of over 90% of the radio transmission towers for terrestrial broadcasting in the UK and is the operator of the only commercial national digital radio multiplex. Transmission is also provided for BBC Radio and most commercial radio stations. The satellite element of the business unit provides communication platforms to enterprise, government and broadcast customers around the world. It owns and operates teleports at key locations, as well as owning an international terrestrial fibre network, media facilities and leasing satellite capacity. These enable the Group to provide customers with a comprehensive range of services to deliver their data, broadcasts and media internationally.
- Digital Platforms is the Group's multiplex business which owns and operates two of the three main commercial digital terrestrial TV multiplexes (out of a total of six multiplexes), plus two new HD multiplexes (recently awarded for additional HD services on Freeview), used for transmission of DTT services in the UK. These enable major media companies to bring their TV and radio services to 20 million homes with access to the Freeview platform.
- Telecoms, which was previously known as Government, Mobile and Enterprise ('GME'), provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets. Arqiva is the largest independent provider of towers in the UK, which are licensed to national mobile network operators ('MNOs') and other wireless network operators. With its own spectrum, the Group can provide complete mobile communications networks including backhaul links.
- The Business Operations division provides engineering, delivery, monitoring and maintenance services to the whole of the Group, their focus being on service and efficiency.
- Central corporate functions include Strategy and Business Development, Finance, Legal and Commercial and People and Organisation. The Group has significantly strengthened these areas in order to support the focus on strategic and business development, financial planning, efficiency, procurement and financing activities.

The Group's radio and TV broadcast operations are regulated by the Office of Communications ('Ofcom') on behalf of the wholesale broadcast customers. The areas of the business impacted by this regulation are B&M and Business Operations.

The Company is a holding company with an investment in a group of operating companies.

During the prior year, the Arqiva Broadcast Holdings Limited ('ABHL') group completed a corporate restructuring process. This has reorganised the legal entity structure in relation to certain trading subsidiaries and has been completed to assist the trading activities of the Group by consolidating the core trading entities of Arqiva Limited and Arqiva Services Limited ('ASL'), including their respective subsidiaries, under a single holding company.

The substance of the transaction was a group reorganisation rather than an acquisition because the reorganisation represented a change in the identity of the holding company rather than the acquisition of a business. Accordingly, the Group has consolidated the results of Arqiva Limited, and its subsidiaries, under the principles of merger accounting in accordance with FRS 6 'Acquisitions and mergers'.

## **Business and market environment**

### **Business environment**

As a capital intensive infrastructure business Arqiva benefits from having a significant number of long term contracts with its customers and a number of these include automatic RPI linked increases. Due to the nature of the business, the time lag between product development, contract award, capital investment and revenue generation can be considerable.

The Group is the sole owner and operator of the UK's nationwide terrestrial TV infrastructure and the major owner and operator of the UK's radio infrastructure. The Group's activities have been key to the technological evolution from analogue to digital based services and are critical to all terrestrial TV and Radio broadcasters.

The Group has been responsible for delivery of the DSO project which is now substantially complete. The investment in this project is secured by long-term fixed or RPI linked contracts out as far as 2034 with high quality counterparties such as the BBC and ITV, securing long-term revenues. Digital Terrestrial TV remains the platform of choice in the UK covering 98.5% of the population.

The Group holds spectrum licences for two of the three main commercial digital terrestrial TV multiplexes plus two new HD multiplexes, selling space for channel programming on the Freeview platform. Historically, this has run at close to 100% utilisation with customers including Film4 and UKTV. Channel contracts vary in length but are usually between three and five years duration.

Arqiva's satellite infrastructure provides excellent levels of connectivity, reliability and security, Arqiva owns, manages and operates teleports and media hubs at key locations, plus comprehensive satellite capacity, multiplexes and an international fibre network.

The Group is the UK's largest independent provider of wireless towers which are critical to mobile network operators' contractual obligations to provide national coverage. Revenue from the Group's tower portfolio is secured by contracts with all of the large UK mobile operators. Planning restrictions create high barriers to entry. The recent release of 4G spectrum for use in the mobile market is also expected to drive growth in revenue.

### **Market environment**

The switchover of the UK's terrestrial television system to a high power digital transmission service together with network consolidation and technological change within the mobile communications sector are key market changes which continue to impact the Group's existing businesses.

A significant focus of the Group in recent years has been the delivery of the DSO project. This project was to convert the UK's terrestrial television system from analogue and low power digital transmission services to a high power digital transmission service. The Group has successfully delivered this significant and complex nationwide engineering solution and in October 2012 the last region was completed on schedule and within budget. This represents the conclusion of the technical delivery of a seven year project which has involved the removal of more than 5,000 analogue transmitters from 1,154 sites across the UK. We have replaced these with 3,700 digital terrestrial TV transmitters to bring digital TV to 98.5% of the people in the UK. The project is now rapidly winding down and it is expected that all DSO work will cease in the next financial year with all DSO objectives having been met.

The effect of DSO has been to demonstrate the capability of the Group to deliver large scale complex infrastructure projects on time and under budget; and while the construction of this high power digital network has been financed by Arqiva it is supported by long term contracts with key broadcasters, including the BBC, that are all 17 - 20 years in length and contribute around £4 billion to the order book of the Group.

Arqiva continues to work closely with the MNOs as they seek to reduce their costs by network consolidation and expand a wholesale network to deliver a "Connected Britain". The Group continued to strengthen its position as a key supplier in this market and has long term contracts with a number of UK MNOs, ensuring it is at the heart of the mobile operators' consolidation plans.

While the mobile industry is experiencing continued network consolidation amongst the mobile network operators, significant growth in demand for mobile data is expected to fuel continued investment in mobile infrastructure. Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services.

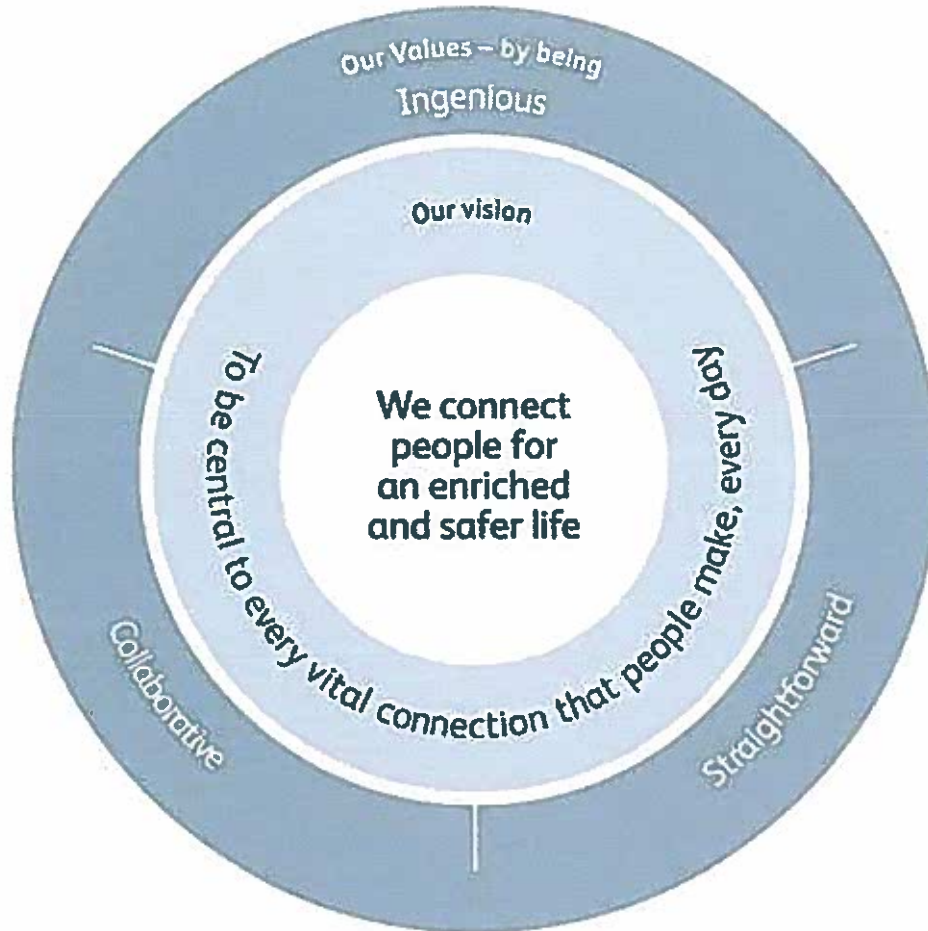
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### Arqiva's purpose, vision and values

Everything we do at Arqiva is guided by our values to go the extra mile to help our customers reach their customers and audiences.

We believe we have a role to play in shaping our dynamic industry. It's what we've been doing for the last 90 years. We actively engage with government, trade associations and other industry players as we know that to keep our customers connected we must continually work to identify and develop the ideas that will enable society's digital future.



**Ingenious:** we find ingenious and smarter ways to support our customers; we inspire customers and each other; we embrace change and fresh thinking; we find solutions that add real value.

**Straightforward:** we talk and act in a clear and straightforward way to make sure we are always effective and understood; we keep things simple and clear; we act with integrity; we are plain speaking and we listen.

**Collaborative:** we bring expertise and passion to collaborate as one team and go that extra mile; we engage widely and act as one team; we take personal responsibility; we build on our strengths.

By getting these values right we will realise our vision:  
**To be central to every vital connection people make, every day. Always.**

## **Business review and strategy**

### **Future developments and growth opportunities**

It is the intention of the Company and the Group to continue to operate and invest in communications infrastructure, maximising value of the core businesses and to explore appropriate growth opportunities which represent a strategic fit with our existing businesses and infrastructure assets.

The key steps management are taking to execute our strategy are as follows:

- Maximising the value of each of the strong core businesses – leveraging existing resources and infrastructure to increase turnover and cash flow through offering additional services to existing and new customers in the core business units,
- Investing in the future of Digital Terrestrial Television ('DTT') by supporting ventures such as YouView, video on-demand services and the high definition capability on Freeview,
- Focusing on higher margin products and exiting low margin markets e.g. the run-down of the Wholesale Satellite business and the exit of the outside broadcast business,
- Investing in growth opportunities that leverage the Group's existing assets, pursuing scalable growth opportunities which build on the stable infrastructure base, and
- Improving processes to be more efficient and customer focused ensuring we simplify and standardise processes in order to optimise operational cost and efficiency.

The Group has identified, and in some cases secured, a number of scalable growth opportunities to further leverage its existing infrastructure expertise and customer relationships and increase its critical role in the UK's infrastructure network. These include:

- New uses for existing infrastructure such as;
  - smart metering
  - the Government funded Mobile Infrastructure Project
  - WiFi infrastructure,
- Additional revenues from new capacity for digital terrestrial television channels driven by advancements in compression technology (i.e. increasing the number of video streams or channels per multiplex),
- Switch Over from analogue radio to DAB, and
- Increasing demand for wireless site capacity driven by the trend for increasing mobile data usage and continued roll out of 3G and 4G mobile networks.

We also support and sponsor key industry initiatives designed to strengthen the media and communications sector and applaud its successes. For example, we were the headline sponsor of the British Academy of Film & Television Arts (BAFTA) British Television Awards in both 2012 and 2013. And in 2013 we continued our long-term sponsorship of the Arqiva Commercial Radio Awards, the UK's biggest annual celebration of commercial radio.

To deliver the new contracts recently won and successfully pursue growth opportunities, Arqiva has reviewed its organisational structure to better align the business to drive and support its long term growth agenda and improve customer service. The re-alignment took effect from 1 October 2013 and the key changes are as follows:

- Moving to five product led business units;
  - Digital Platforms
  - Terrestrial Broadcast
  - Smart Metering (including machine to machine)
  - Satellite
  - Telecoms
- Business Operations to be vertically split between the relevant sales facing business units
- CTO function to drive new product development and manage shared services across the company
- With support from a central corporate function comprising;
  - Finance
  - Strategy and Business Development
  - People and Organisation
  - Commercial



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### **Acquisitions**

The Group's WiFi infrastructure offering will enable Arqiva to offer the MNOs a WiFi data offload service on a neutral host basis. This is supported by the acquisition of Spectrum Interactive Limited in July 2012 by Arqiva Broadcast Holdings Limited ('ABHL'), the Group's ultimate UK parent undertaking. In October 2012 Arqiva Limited, a subsidiary within the Group, acquired 100% of the issued share capital of Spectrum Interactive from ABHL. Spectrum Interactive Limited subsequently rebranded to 'Arqiva WiFi' in October 2012. The purchase came with 15,000 access points and 2,100 premium WiFi locations enabling Arqiva to accelerate activity in this area given the acquisition of this highly scalable platform. Arqiva WiFi has so far been successful in significantly increasing its footprint of WiFi hotspots across UK airports, key London boroughs such as Camden and hotel and leisure chains, which includes the provision of WiFi access to 85,000 hotel rooms and 61 airport lounges. Further development and discussions are ongoing with potential customers.

During September 2012, the Group completed the acquisition of Connect TV Limited. The Connect TV platform enables broadcasters and content owners to use the internet to provide new channels and services to the fast growing connected TV market. Following further development, during May 2013 we launched a whole new entertainment experience for the connected Freeview audience. It is the UK's first hybrid DTT and IP-based channel portal. This portal operates on channel 18 on the Freeview platform under the name '4Music', seamlessly delivering IP-based music content from the Kiss, Magic and Kerrang! brands through a single channel number. Following the launch, interest in the product is encouraging.

### **Major contract wins**

On 13 May 2013, the Department of Culture and Media and Sport (DCMS) announced that Arqiva had been successful in winning the contract for the Mobile Infrastructure Project (MIP), for which it will provide towers, passive site equipment (such as antennas) and network management services which the mobile network operators will utilise. MIP is a government initiative to expand and improve coverage to regions of the UK which currently have no mobile access or mobile access of poor quality, with the ultimate goal of providing service to 75% of the 0.3% of premises that are currently in areas without any 2G services ('not-spots'). The DCMS has committed funding up to about £150 million in capital investment in these sites.

On 16 July 2013, following a consultation Ofcom confirmed Arqiva has been awarded the licence to establish new HD multiplexes in the 600MHz spectrum band. As the multiplex operator, we will build a new network which will enable a significant increase in the number of high definition channels broadcast on the DTT/Freeview platform. The licence will run until 2026, but with a minimum duration to 31 December 2018, subject to revocation on 24 months' notice. Arqiva is required to cover 10% of UK households within 12 months and 50% of UK households within two years, including 25% coverage in each of the four countries in the United Kingdom (England, Scotland, Wales and Northern Ireland).

The government have licensed Ofcom to implement local TV and Arqiva has been the leader in implementing this change. By adopting an innovative approach to network design involving equipment previously used for low powered DTT, a solution was agreed that made local TV economically viable. The Group are now working with the successful applicant on network roll out.

Smart metering is a project to install smart energy meters in every home in Great Britain in order to improve efficiency and facilitate monitoring of gas and electricity use by consumers. On 14 August 2013, Arqiva was chosen by the Department for Energy and Climate Change (DECC) as the preferred bidder to provide smart metering communications for the North region. The contract was signed on 20 September 2013. This region covers c10m premises in Scotland and the North of England. The award was in recognition of the technical superiority of Arqiva's proven smart metering communications solution, which has been shown to work equally well across all parts of the country. The solution includes Sensus technology that has been successfully deployed internationally in more than 16 million smart meters and devices. It is capable of supporting the evolution of smart services more broadly, including locations deep inside buildings that other communications technologies have struggled to reach.

In August 2013, the Group was successful in winning a new contract for provision of BBC analogue and digital radio services and in addition, for the expansion for the next phase of the digital radio build-out. The 17 year contract includes radio transmission services for the BBC's FM, MW, LW and core National Digital Audio Broadcast (DAB) networks. Arqiva will also build out the BBC National DAB network, to enable it to reach 97% of the UK population by the end of 2015. The contract covers some of the UK's most popular radio stations on analogue and digital radio, including BBC Radio 1, 2, 3 and 4, BBC 5 Live and BBC regional radio stations.

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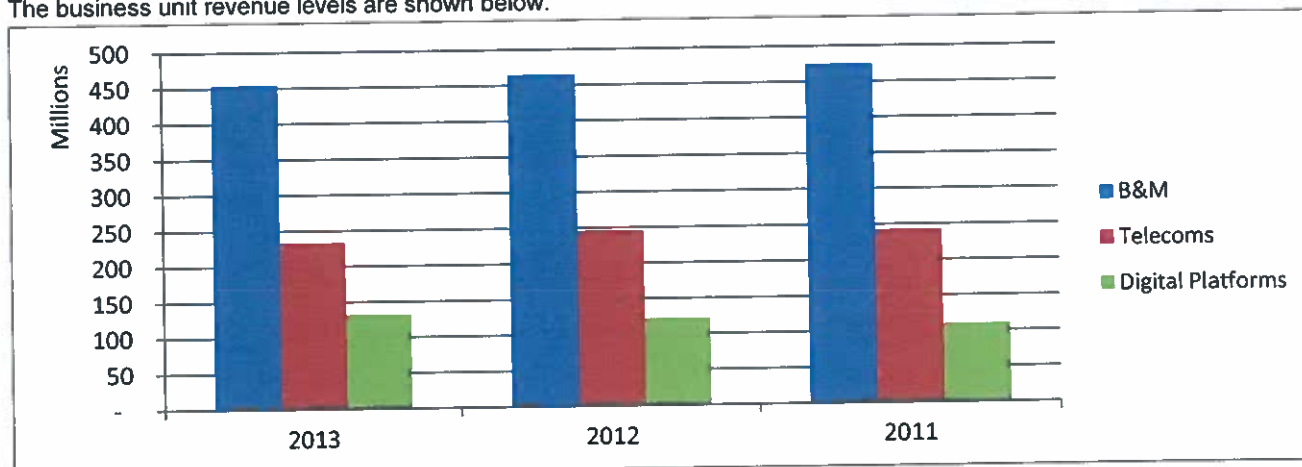
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### Financial position and key performance indicators ('KPIs')

In 2013, the Arqiva Holdings Group delivered revenues of £818.8m (2012: £831.3m), with a gross profit of £528.0m (2012: £516.9m) and operating profit of £247.2m (2012: £266.5m).

This growth in gross profit has been achieved despite slight reductions in revenue levels, by focusing on higher margin products and exiting low margin markets (e.g. the run-down of the Wholesale Satellite business and the exit of the outside broadcast business) in line with the Group's strategy.

The business unit revenue levels are shown below:



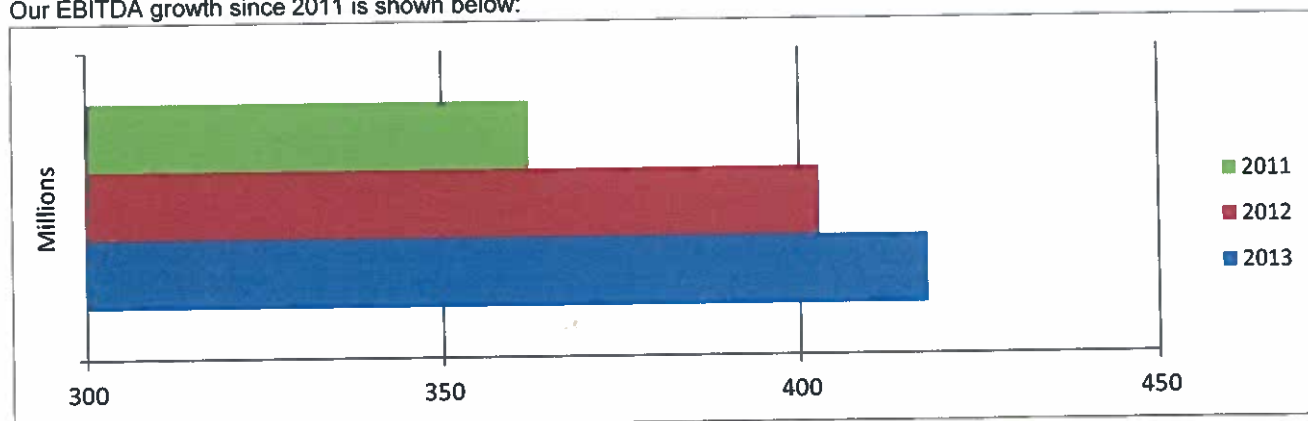
#### 3 year KPI trend data

The KPI's chosen reflect both a measure of the financial success and long term growth of the business, and the level of service provided to our customers, including that service provided on third party multiplexes.

Measure	30 June 2013	30 June 2012	30 June 2011
EBITDA	£417.6m	£402.7m	£362.0m
Combined Network Availability	99.99%	99.98%	99.99%
Own TV Multiplex Network Availability	99.99%	99.99%	99.98%

The key measure of the Group's financial performance is EBITDA.

Our EBITDA growth since 2011 is shown below:



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 but after non-interest finance costs principally bank charges. EBITDA for the year ended 30 June 2013 is £417.6m (2012: £402.7m) an increase of 3.7%.

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A reconciliation of the reported EBITDA to the financial statements is provided below:

	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011
	£'m	£'m	£'m
Operating profit before exceptional items	273.6	285.3	232.9
Depreciation of fixed assets	114.4	92.6	105.4
Amortisation	25.5	24.7	23.8
Other (including loss on disposal of fixed assets and non-interest finance costs principally bank charges)	4.1	0.1	(0.1)
<b>EBITDA</b>	<b>417.6</b>	<b>402.7</b>	<b>362.0</b>

Exceptional items incurred during the year to 30 June 2013 were £26.4m (2012: £18.8m). See note 4 for further details.

Other significant KPIs for the Group are the level of network availability across both TV and radio infrastructure. When significant engineering projects are underway, such as DSO, the measurement of milestones on these contracts also forms part of our KPIs. The target combined network availability for the Group is 99.94% and the actual network availability achieved was 99.99% during the year to 30 June 2013. In addition, the Group's own TV multiplexes have a target availability of 99.95% and the actual availability achieved was 99.99% during the year.

### Financing structure

The objective of the ABHL Group's financing strategy is to ensure sufficient available cash balances or committed facilities enabling Arqiva to meet its financial obligations, invest in our business, to support our customers' mission-critical business needs, and to pursue additional growth opportunities.

The Group utilises retained cash balances and funding advanced by group undertakings to cover working capital requirements and planned growth. As at 30 June 2013, the Group had a cash balance of £82.7m (2012: £43.8m).

During February 2013, the ABHL Group closed its refinancing raising £2,936m funds from both bank facilities and bond markets. These funds together with retained cash balances and further funds advanced by shareholders in the form of shareholder loan notes were used to repay previous bank facilities. The ABHL Group now has a long term stable investment grade capital structure and new £400m committed bank facilities enabling the ABHL Group to invest in its business to support its customers' mission critical business needs.

### Taxation

The Group has recorded a corporation tax credit for the year ended 30 June 2013 of £18.5m. This is primarily due to two factors, capital allowances arising as a result of the significant investment in UK infrastructure by the Group and the interest cost of funding that long term investment. The capital allowances result in a tax deduction spread over a period of time defined by HMRC in order to encourage such investment. The interest expense is deducted in accordance with UK tax legislation for companies which use debt to fund investments. This interest expense has resulted in the Group recording a net loss before taxation in the current year. Although the Group has not paid any corporation tax in the period, it continues to pay business rates, account for income tax and national insurance on employee remuneration, and pay other taxes for which it is liable. These payments were approximately £86m in 2012/13.

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

**Risk management**

**Principal risks and uncertainties facing the business**

The Group has a formal process for monitoring risks and maintains a corporate risk register which is regularly reviewed and reported to senior management and the Directors. The key business risks affecting the Group are set out below together with the Group’s mitigating actions; in addition the Group has long term contracts in place with a number of significant blue chip customers which support the Group’s long term financial stability.

Business unit	Description of risk	Risk mitigation
Telecoms	The level of demand for wireless communications and impact on demand for access to the Group’s towers.	Significant amounts of capital expenditure have been invested in developing the wireless communications infrastructure in the UK. The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand. The Group continues to closely monitor the development of wireless technology and network deployment activities by MNOs.
Telecoms	Network sharing activity amongst the MNOs.  However, the Group has already secured long term contracts with many of the MNOs, including Everything Everywhere (‘EE’), and is at an advanced stage in negotiations with other such customers.	The Group’s sites are predominantly located in rural and suburban areas. Their location exclusivity and restrictive planning regulations create significant barriers to entry and exit.  The Group seeks to protect itself by negotiating long term contracts where it makes itself the focal point for consolidation, and facilitates the MNOs consolidation in return for long term revenue certainty.
All	International decisions regarding the future use of the 600 / 700MHz spectrum for DTT.  During DSO, the 600 Mhz band had been cleared in preparation for an auction for the long term use of that spectrum for additional DTT multiplexes. This process was put on hold following The World Radio Conference 2012 (‘WRC-12’) which signalled that countries may clear the 700 Mhz band of DTT in preparation for future use by Mobile Broadband. This would result in the 600MHz spectrum cleared having to be used for existing terrestrial TV.	In November 2012, Ofcom published a UHF Strategy Statement confirming its intention to release 700 MHz for Mobile Broadband use whilst ensuring 600 Mhz band accessibility for DTT, should the change in 700Mhz go ahead post 2018. Ofcom published a consultation for the interim use of the 600 Mhz band for temporary DTT multiplexes, for which Arqiva was the successful applicant.  There is a risk of future changes to this Ofcom UHF strategy. The Group continues to engage with Ofcom and the broadcasters to ensure that Arqiva and the television industry’s needs are fully considered and sufficient spectrum is available for DTT.
B&M	Interference to terrestrial broadcast transmissions with the launch of 4G services in 800 MHz.  The introduction of White Space services in the UHF band presents the risk of additional interference to DTT. Therefore the DTT platform may suffer some churn to other platforms.	As part of the Group’s engagement with Ofcom and the broadcasters, we will ensure that Arqiva and the television industry’s needs are fully considered as part of these spectrum planning discussions.  In addition, the Group has an open and regular dialogue with at800 (a trademark of Digital Mobile Spectrum Limited (‘DMSL’) which is funded by and represents the UK mobile operators who will be launching 4G mobile services at 800 MHz).  The Group is actively involved in trials and discussions around mitigating any such potential interference.
B&M and Digital Platforms	Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group’s DTT transmission business.	DTT retains the largest share of broadcast transmission in the UK. In addition the Group has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform together with its development in Connect TV – a hybrid IPTC/DTT offering.

### Financial risk management

The principal risks and uncertainties of the Group have been outlined above. As a result of these, as well as the ongoing business activities and strategy of the Group; Arqiva is exposed to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects as set out below.

#### *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 up to 18 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.

#### *Liquidity risk*

The Group is funded through reserves and inter-company debt. 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 ongoing 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.

#### *Interest rate risk*

Inter-company loan balances are interest free or at a fixed interest rate. Where a floating rate applies to finance balances the Company reassesses this in the context of longer term interest rate trends.

#### *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 (mainly US Dollars and Euros), the 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.

### Information security

Due to the critical importance of our sites and systems to the Arqiva Group, to our customers and in some cases as part of the Critical National Infrastructure, the Group takes information security very seriously. As part of the Group's Information Security Strategy, Arqiva has during the year achieved accreditation to the internationally recognised security standard ISO27001 'International Information Security Standard'.

Arqiva has become the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification for all platforms and services (end to end) for all of its UK locations. We received the accreditation following our recent security audits which assessed our approach to Information Security and our compliance with the ISO controls framework.

Arqiva can now compete for new business which requires ISO27001 accreditation and can confidently demonstrate our security-conscious culture and compliance with this internationally recognised standard.

## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### Audit Committee

The Group's Audit Committee has responsibilities consisting of handling risk management procedures and internal controls, compliance and regulatory issues (including whistle blowing arrangements), accuracy of group financial statements and the appointment and remuneration of external auditors. In addition, the internal audit department agrees its annual audit plan with the Audit Committee and regularly reports its findings and recommendations to it.

The Group has a long standing relationship with its auditors and benefits from regular dialogue regarding the accounting treatment of any complex or significant new contracts contemplated throughout each financial year, with the focus in the current year having been on the refinancing. The Group proactively engages with its auditors in order to ensure it is well prepared for future changes to accounting standards and other applicable developments which may impact Arqiva. At present the Group is discussing matters including:

- the full opportunity presented as part of the Department for Business, Innovation and Skills new subsidiary company audit exemption provisions,
- the future of UK Generally Accepted Accounting Practice ('UK GAAP'), the changes under which would apply to the Group from the 30 June 2016 year end, and
- the joint IASB and FASB exposure draft on leases for which a final IAS accounting standard is not expected to be released until 2014, for adoption in circa 2017, and the adoption of such a standard under UK GAAP may follow in the medium term.

The auditors provide certain non-audit services, principally in relation to transaction support services and tax compliance. The Audit Committee ensures that appropriate safeguards of audit independence are applied where considered necessary, including independent partner review of any key judgements.

### Corporate responsibility

Our ethics, values and behaviours all combine to shape our approach to corporate responsibility. At Arqiva we will endeavour to conduct our business in a way that benefits our customers, suppliers, employees, shareholders and the communities in which we operate.

#### Charitable donations, community and social activities

Taking a collaborative approach to our work, our people and the communities in which we operate is an important company value for us. It is one of the reasons why we have chosen to partner with The Prince's Trust and Walking with the Wounded ('WWTW') charities.

Arqiva has been selected as the Communications Partner for the WWTW South Pole Allied Challenge. In December 2013, three teams of wounded service personnel will set out to race to the Pole. Arqiva will bring its wealth of expertise, experience, and bespoke communication equipment to this challenging expedition to Antarctica. Arqiva will be supporting the communications channels between the teams, their ground crews and wider support networks from the onset of training to the final moment of each teams' successful arrival at the South Pole and their safe return from the Antarctic.

We are supporting the Prince's Trust fundraising efforts, such as the Palace to Palace bike ride in September 2013, where up to 4,000 people rode from Buckingham Palace to Windsor Castle. Arqiva is also a patron of the Prince's Trust. The Prince's Trust focuses its efforts on helping young people with practical and financial support, and developing key workplace skills. The help it provides includes training, personal development, business start-up support, mentoring and advice. It is ingenious in the way that it has changed young people's lives, not through condescension and free hand-outs, but by giving them the means to help themselves. Likewise, our own Apprentice Programme recognises the value that young people can make both to the workplace and society as a whole.

During the year, the Group made charitable donations of £0.1m (2012: £0.1m). All contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee. The Group also supports the Give As You Earn scheme, working in partnership with the Charities Aid Foundation which manages the Give As You Earn scheme - the UK's leading payroll giving scheme.

Employees are supported to take part in 'Give and Gain Day' volunteering activities whereby they give their time to local charities and organisations for special projects which has included numerous activities such as upgrading the garden area at a local school.

## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### Environment

The Group is committed to complying with all applicable environmental legislation and has assessed the environmental impact of its activities products and services and aims to reduce any negative impacts through active environment management. The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001.

Energy consumption is a key area of interest for the Group given Arqiva are a significant consumer of energy, in particular electricity. Arqiva has launched a new Energy policy which reflects the company's commitments to:

- Improve energy efficiency,
- Reduce energy consumption,
- Invest in energy efficient technology,
- Purchase energy effectively, and
- Monitor carbon emissions.

Part of this new policy is accreditation to ISO50001 'Energy Management System' which is a voluntary International Standard developed by the International Organization for Standardization which aims to establish a framework for an organisation to manage energy effectively.

One of Arqiva's business aims is to reduce carbon emissions and energy costs whilst complying with energy legislation. We have a dedicated team looking at new and innovative ways of driving down our carbon footprint. Responsible management of energy has a key role in minimising our environmental impacts and is embedded within our company. We are investigating how emerging technologies and ingenious ways of working can help us and our customers become more environmentally friendly. As new technologies emerge and legacy equipment is replaced we look for the most environmentally-friendly ways to dispose of redundant hardware. For example, following the completion of the DSO programme we had to remove and dispose of our analogue television infrastructure and re-engineer existing services, and managed to recycle over 90% of the waste.

The Arqiva energy policy is committed to ensuring we meet, and where possible, exceed the requirements of applicable legislation, policies and other commitments to which we subscribe. All employees are encouraged to participate in the energy reduction aims of the company, and the Arqiva Management Board support the energy policy, as well as promoting and maintaining a high profile for carbon and energy issues within the organisation.

The business aims to reduce energy consumption by 2% per annum. As at June 2013, a 7.4% reduction has been achieved against prior year (2012: an annual reduction of 8.2%), exceeding the business aims. We also require our supply chain to guarantee that high levels of our electricity consumption is from renewable sources and continue to strive in our efforts to improve our use of renewable energy.

## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### Employees

The average number of persons employed by the Group during the year was 1,904 (2012: 1,898). The Company itself has no employees (2012: none). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

Arqiva has recently received 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.

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

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

Significant emphasis is placed on employee communication. The Group intranet 'Connect' has been refreshed and makes information available to employees on all matters including company performance, and issues affecting our industry. Alongside this refresh the Group has launched its new values – "*ingenious, straightforward, and collaborative – Always*", which will form the fundamental basis of all business Arqiva conduct.

Our quarterly employee magazine 'IQ' includes business news, information on special projects, people profiles, environmental and charity initiatives and competitions. The Management Board host quarterly briefings at all key sites and a Managers Conference is held annually to kick-off the new financial year.

We want all our employees to benefit from our success and growth as a business. Our annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with our values and the various levels of responsibility and job requirements across the business. The scheme takes into account the targets that have been set by the company and then multiplies this by a personal performance rating. The company must achieve a minimum EBITDA/cash flow performance before a bonus becomes payable. The bonus payment for the 2013 financial year was finalised and paid in September 2013.

### 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 in its operations and for all those in the organisation and others who may be affected by its activities. The Group operates a safety management system that is accredited to the international standard OHSAS 18001. The Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

### 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 58 days (2012: 47 days).

Arqiva's key costs are payroll, satellite capacity, rent, rates and power, and hence the majority of the Group's cost base is driven by competitive markets. Arqiva engage multiple large national suppliers for key services such as gas and electricity. This ensures not just a viable on-going cost base but reduces business risk by limiting dependency on individual suppliers.



## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### Ownership and Directors

The ABHL Group is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board (48%), Macquarie European Infrastructure Fund II (25%) plus other Macquarie managed funds (1.5%), Health Super Investments (5.4%), Industry Funds Management (14.8%) and the Motor Trades Association of Australia (5.2%). There is no ultimate controlling party of the Company, as defined by FRS 8 'Related party disclosures'.

There are two investor companies which are related parties with the Group, in accordance with FRS 8, by virtue of significant shareholding in the Group:

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

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

- Peter Shore (Chairman)
- Edward Beckley
- Alain Carrier
- Peter Douglas
- Christian Seymour
- Andreas Kottering (alternate)
- Robert Wall (appointed full director 9 May 2013, previously an alternate director)
- Adrianus Wamstaker (alternate)
- Damian Walsh
- Clive Ansell (appointed 9 January 2013)
- John Cresswell (appointed 9 January 2013)
- Phil Moses (appointed 9 January 2013)
- Nathan Luckey (alternate) (appointed 18 February 2013)
- Prakul Kaushiva (appointed 9 May 2013)
- Jeremy Beeton (appointed 18 June 2013)
- Daniel Fetter (resigned 23 May 2013)
- Marc Perusat (alternate) (resigned 26 April 2013)

Michael Giles is the Company Secretary. For details on the background of the Directors' and the management board please refer to the company website [www.arqiva.com](http://www.arqiva.com).

#### Directors' indemnities

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

#### Disclosure 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.

## **Arqiva Holdings Limited**

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### **Other matters**

#### **Research and development**

The Group performs research and development into new products and technology, the costs of which are capitalised in accordance with the Group's accounting policy where they meet the criteria for capitalisation under UK GAAP. The research costs expensed in the year were £1.9m (2012: £2.9m). In addition, the Group carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The exceptional bid costs expensed during the year total £15.6m (2012: £2.7m).

Development costs incurred as part of capital expenditure projects which support customer contracts, are included with the total project spend within tangible fixed assets. The Group's capital expenditure in the year was £137.7m (2012: £163.6m) and includes capitalised labour of £41.7m (2012: £40.5m). Other development costs would be capitalised within intangible fixed assets. In the year, development costs capitalised total £nil (2012: £nil), with amortisation of £nil (2012: £0.2m) charged against such capitalised development costs.

#### **Freehold land and buildings**

The market value of the Group's land and buildings is lower than the carrying amount by £94.1m (2012: £126.0m), this is based upon an external valuation of the property portfolio as at 30 June 2010 uplifted by the percentage increase in the FTSE UK commercial property index to 30 June 2013. The Directors are comfortable that the carrying value of the assets in the financial statements is supported by their value in use to the business.

#### **Overseas branches**

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

#### **Post balance sheet events**

There have been no events since the balance sheet date which would have a material impact on the Group and require disclosure within the financial statements.

#### **Dividends and transfers to reserves**

The Company has declared a dividend of £65m in the year (2012: £nil). Arqiva Limited, a Group company, has declared no external dividends in the current year (2012: £229m), see note 10. The consolidated profit for the year of £231.1m (2012: £271.6m) was transferred to reserves.

## **Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared 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

4 October 2013

## **Independent Auditors' report to the Members of Arqiva Holdings Limited**

We have audited the Group and parent company financial statements (the 'financial statements') of Arqiva Holdings Limited for the year ended 30 June 2013, 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 set out on page 17, 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 and express an opinion on 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 chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2013 and of the Group's profit 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 Chairman's statement and 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.

*ARK*

**Alan Kinnear (Senior Statutory Auditor)**

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

7 October 2013

# Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

## Consolidated profit and loss account

	Note	Year ended 30 June 2013			Year ended 30 June 2012		
		Pre exceptional items £'m	Exceptional items £'m	Total £'m	Pre exceptional items £'m	Exceptional items £'m	Total £'m
<b>Continuing operations</b>							
Turnover (including share of joint venture):		827.2	-	827.2	843.5	-	843.5
Less: share of joint venture turnover		(8.4)	-	(8.4)	(12.2)	-	(12.2)
<b>Group turnover</b>	2	<b>818.8</b>	<b>-</b>	<b>818.8</b>	<b>831.3</b>	<b>-</b>	<b>831.3</b>
Cost of sales		(290.8)	-	(290.8)	(314.4)	-	(314.4)
<b>Gross profit</b>		<b>528.0</b>	<b>-</b>	<b>528.0</b>	<b>516.9</b>	<b>-</b>	<b>516.9</b>
Depreciation		(114.4)	-	(114.4)	(92.6)	-	(92.6)
Amortisation		(25.5)	-	(25.5)	(24.7)	-	(24.7)
Other administrative expenses		(114.5)	(26.4)	(140.9)	(114.3)	(18.8)	(133.1)
<b>Total Administrative expenses</b>		<b>(254.4)</b>	<b>(26.4)</b>	<b>(280.8)</b>	<b>(231.6)</b>	<b>(18.8)</b>	<b>(250.4)</b>
<b>Group operating profit</b>	3	<b>273.6</b>	<b>(26.4)</b>	<b>247.2</b>	<b>285.3</b>	<b>(18.8)</b>	<b>266.5</b>
Share of operating profit in joint venture and associates		1.7	-	1.7	4.0	-	4.0
<b>Total operating profit: Group and share of joint venture and associates</b>	4	<b>275.3</b>	<b>(26.4)</b>	<b>248.9</b>	<b>289.3</b>	<b>(18.8)</b>	<b>270.5</b>
<b>Profit on ordinary activities before taxation and interest</b>		<b>275.3</b>	<b>(26.4)</b>	<b>248.9</b>	<b>289.3</b>	<b>(18.8)</b>	<b>270.5</b>
Interest receivable and similar income	7	0.8	-	0.8	1.9	-	1.9
Interest payable and similar charges	8	(36.1)	-	(36.1)	(14.0)	-	(14.0)
Share of joint venture interest payable		(1.0)	-	(1.0)	(2.3)	-	(2.3)
<b>Profit on ordinary activities before taxation</b>		<b>239.0</b>	<b>(26.4)</b>	<b>212.6</b>	<b>274.9</b>	<b>(18.8)</b>	<b>256.1</b>
Tax on profit on ordinary activities	9			18.5			15.5
<b>Profit for the financial year</b>				<b>231.1</b>			<b>271.6</b>

There are no material differences between profit on ordinary activities for the year above and the comparative year and their historical cost equivalents.

## Consolidated balance sheet

	Note	30 June 2013 £'m	30 June 2012 £'m
<b>Fixed assets</b>			
Intangible assets	11	286.0	284.9
Tangible assets	12	1,347.7	1,329.2
Investments	13		
<i>Investments in joint venture</i>			
- Share of gross assets		17.0	15.7
- Share of gross liabilities		(15.8)	(15.2)
- Goodwill on acquisition		8.7	10.5
<i>Investments in associated undertakings</i>			
		0.1	0.1
		10.0	11.1
		<b>1,643.7</b>	<b>1,625.2</b>
<b>Current assets</b>			
Debtors	14	657.3	605.2
Cash at bank and in hand	15	82.7	43.8
<b>Total current assets</b>		<b>740.0</b>	<b>649.0</b>
Creditors: amounts falling due within one year	16	(708.3)	(745.8)
<b>Net current assets / (liabilities)</b>		<b>31.7</b>	<b>(96.8)</b>
<b>Total assets less current liabilities</b>		<b>1,675.4</b>	<b>1,528.4</b>
Creditors: amounts falling due after more than one year	17	(130.1)	(142.2)
Provisions for liabilities and charges	18	(54.1)	(60.5)
<b>Net assets excluding pension (deficit)</b>		<b>1,491.2</b>	<b>1,325.7</b>
Pension (deficit)	26	(2.3)	(2.3)
<b>Net assets including pension (deficit)</b>		<b>1,488.9</b>	<b>1,323.4</b>
<b>Capital and reserves</b>			
Called up share capital	19	1,902.5	1,902.5
Share premium	20	0.1	0.1
Merger reserve	19	(1,604.1)	(1,604.1)
Profit and loss reserve	19	1,190.4	1,024.9
<b>Total shareholders' funds</b>	21	<b>1,488.9</b>	<b>1,323.4</b>

The accounting policies and notes on pages 24 to 49 form part of these financial statements.

These financial statements were approved by the Board of Directors on 4 October 2013 and were signed on its behalf by:

  
Peter Shore – Director

## Statement of group total recognised gains and losses

	Year ended 30 June 2013	Year ended 30 June 2012
	£'m	£'m
Profit for the financial year		
- Group	230.4	269.9
- Joint Ventures	0.7	1.7
<b>Profit for the financial year</b>	<b>231.1</b>	<b>271.6</b>
Actuarial (loss) on pension scheme	(0.5)	(13.8)
Movement on deferred tax relating to pension scheme	0.1	3.3
Exchange adjustment offset in reserves (translation of foreign investments)	(0.2)	-
<b>Total recognised gains for the year</b>	<b>230.5</b>	<b>261.1</b>
Total recognised gain for the year		
- Group	229.8	259.4
- Joint Ventures	0.7	1.7
<b>Total recognised gain for the year</b>	<b>230.5</b>	<b>261.1</b>

**Arqiva Holdings Limited**

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

**Consolidated cash flow statement**

	Note	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m
<b>Net cash inflow from operating activities</b>	<b>22</b>	<b>353.7</b>	<b>382.8</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		0.3	0.3
Interest paid to external sources		(0.1)	(0.1)
Interest element of finance lease rentals		(1.1)	(1.2)
Equity dividends paid	10	(65.0)	(229.0)
		<b>(65.9)</b>	<b>(230.0)</b>
<b>Tax paid</b>		<b>(0.2)</b>	<b>(0.3)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(125.7)	(162.0)
Purchase of intangible fixed assets		(0.6)	-
Sale of tangible fixed assets		4.3	0.5
		<b>(122.0)</b>	<b>(161.5)</b>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings (including payment of deferred consideration)		(28.2)	-
Cash acquired with subsidiary undertakings		0.5	-
		<b>(27.7)</b>	<b>-</b>
<b>Financing</b>			
Finance lease capital		(0.6)	(0.3)
Borrowings from parent undertakings		(98.3)	31.8
Loans to associates and joint ventures		(0.1)	-
		<b>(99.0)</b>	<b>31.5</b>
<b>Increase in net cash</b>	<b>23</b>	<b>38.9</b>	<b>22.5</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 July		23.8	40.2
Increase in net cash		38.9	22.5
Movement in financing		99.0	(31.4)
Other non-cash changes		(22.2)	(7.5)
<b>Net funds at 30 June</b>	<b>23</b>	<b>139.5</b>	<b>23.8</b>



## Company balance sheet

	Note	30 June 2013 £'m	30 June 2012 £'m
<b>Fixed assets</b>			
Investments	13	2,019.4	2,019.4
		<b>2,019.4</b>	<b>2,019.4</b>
<b>Current assets</b>			
Debtors	14	64.8	64.8
Cash at bank and in hand		-	-
<b>Total current assets</b>		<b>64.8</b>	<b>64.8</b>
Creditors: amounts falling due within one year	16	(171.9)	(156.2)
<b>Net current liabilities</b>		<b>(107.1)</b>	<b>(91.4)</b>
<b>Total assets less current liabilities</b>		<b>1,912.3</b>	<b>1,928.0</b>
<b>Net assets</b>		<b>1,912.3</b>	<b>1,928.0</b>
<b>Capital and reserves</b>			
Called up share capital	19	1,902.5	1,902.5
Share premium account	20	0.1	0.1
Profit and loss reserve	19	9.7	25.4
<b>Total shareholders' funds</b>	21	<b>1,912.3</b>	<b>1,928.0</b>

The accounting policies and notes on pages 24 to 49 form part of these financial statements.

These financial statements were approved by the Board of Directors on 4 October 2013 and were signed on its behalf by:



Peter Shore - 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 on a going concern basis in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention and under merger accounting principles in accordance with FRS 6 'Acquisitions and mergers'. The Company is exempt under Section 408 Companies Act 2006 from the requirement to present its own profit and loss account.

During the prior year, the ABHL group completed a corporate restructuring process. This reorganised the legal entity structure in relation to certain trading subsidiaries and had been completed to assist the trading activities of the Group by consolidating the core trading entities of Arqiva Limited and ASL, including their respective subsidiaries, under a single holding company.

The substance of the transaction was a group reorganisation rather than an acquisition because the reorganisation represented a change in the identity of the holding company rather than the acquisition of a business. Accordingly, the Group consolidated the results of Arqiva Limited, and its subsidiaries, under the principles of merger accounting in accordance with FRS 6.

Under merger accounting, the results and cash flows of the combined group are consolidated from the beginning of the financial year in which the merger occurred and its assets and liabilities are consolidated at the amounts at which they were previously recorded. All accounting policies were consistently applied across the subsidiaries of the combined group prior to the merger.

The Company made a profit for the year to 30 June 2013 of £49.3m before a dividend of £65.0m (2012: loss of £0.2m).

**(b) Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company, as at 30 June 2013, 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. 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. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

## Arqiva Holdings Limited

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### (c) 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 tangible fixed assets acquired on acquisition, less accumulated depreciation and any provision for impairment.

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 economic 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.

Capital work in progress is not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group in accordance with FRS 15.

### (d) Turnover

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

### (e) Intangible fixed assets and amortisation

Intangible fixed assets are stated at original purchase cost, being fair value for intangible fixed assets acquired on acquisition, less accumulated amortisation and any provision for impairment. The useful economic lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment.

#### Research and Development costs

Development costs incurred to produce new, or substantially improved, 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. Research costs, experimental or theoretical work undertaken which does not constitute development, are expensed as incurred.

#### Licences

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

#### Goodwill

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 include customer contracts and customer relationships and are stated at original purchase cost, being fair value for acquired subsidiaries, and amortised on a straight line basis over their expected useful life.

**(f) Fixed asset investments**

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

**(g) 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. Transactions in the profit and loss account of overseas operations are translated using an average exchange rate. Exchange differences on translation of overseas operations are recognised through the 'statement of group total recognised gains and losses'.

**(h) 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 elements 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.

**(i) 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 measured on an undiscounted basis.

**(j) 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 in the provision due to the passage of time is recognised as interest expense.

Decommissioning provisions are recognised within provisions for liabilities and charges and included within 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.

## Arqiva Holdings Limited

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### (k) 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 high quality corporate bonds 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.

### (l) Cash at bank and in hand

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

### (m) 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.

## 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 and charges made under site sharing agreements.

Turnover is recognised as services are provided. Cash received or invoices raised in advance is taken to deferred income and recognised as turnover when service is provided. Where consideration received in advance is discounted, the effect of the time value of money, where material, is reflected within turnover and interest payable and similar charges. Turnover recognised in advance of cash received or invoices raised is taken to accrued income.

The geographical split of turnover by destination is shown below:

	Group Year ended 30 June 2013 £'m	Group Year ended 30 June 2012 £'m
UK	726.5	724.4
Continental Europe (including Republic of Ireland)	55.0	64.4
Rest of World	37.3	42.5
<b>Group turnover</b>	<b>818.8</b>	<b>831.3</b>

## Arqiva Holdings Limited

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### Segmental reporting

The Group has organised its business into three customer facing business units, supported by an operations division and central corporate functions. This structure is used to provide the following segmental reporting in relation to Group turnover.

	Group Year ended 30 June 2013 £'m	Group Year ended 30 June 2012 £'m
Broadcast and Media		
- Terrestrial broadcast	283.8	266.8
- Satellite	170.7	197.3
Digital Platforms	132.0	121.6
Telecoms	232.3	245.6
<b>Group turnover</b>	<b>818.8</b>	<b>831.3</b>

The majority of assets employed and underlying costs are derived from a shared infrastructure network common to all operating business units. An allocation of such assets or costs to the business units is not performed as part of the normal reporting process within the business. In the absence of a suitable allocation methodology and given the size of the shared assets and costs, the Directors are of the opinion that additional segmental reporting would not provide meaningful information to the users of the financial statements and would therefore not be in the best interests of the Group.

### 3 Operating profit

Operating profit is stated after charging / (crediting):

	Group Year ended 30 June 2013 £'m	Group Year ended 30 June 2012 £'m
Depreciation of owned fixed assets	114.0	92.1
Depreciation of assets held under finance lease	0.4	0.4
Amortisation of goodwill in respect of subsidiaries	23.2	22.3
Amortisation of intangible assets	2.3	2.4
Amortisation of investments in joint ventures	1.8	-
Operating lease rentals:		
- Land, buildings and other infrastructure	41.2	42.3
- Plant and machinery	1.6	1.6
Loss on disposal of tangible fixed assets	4.2	0.2
Foreign exchange (gains)/losses	(1.5)	1.2
Grant income	(0.7)	(0.3)

## Arqiva Holdings Limited

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### Services provided by the Group's Auditor 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 2013	Group Year ended 30 June 2012
	£'m	£'m
Fees payable to Company Auditors for the audit of the parent and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.2	0.2
<b>Non-audit services</b>		
Other assurance services	0.2	0.2
Services relating to taxation	-	0.1
All other services	0.2	0.2
<b>Total cost of services provided by the Group's Auditors</b>	<b>0.7</b>	<b>0.8</b>

## 4 Exceptional items

Profit on ordinary activities before taxation is stated after charging:

	Group Year ended 30 June 2013	Group Year ended 30 June 2012
	£'m	£'m
<b>Administrative expenses</b>		
- Reorganisation and severance	(7.3)	(10.8)
- Corporate finance activities	(0.2)	(0.6)
- Contract bid costs relating to Smart Metering	(15.6)	(2.7)
- Other one off activities	(3.3)	(4.7)
<b>Total exceptional items</b>	<b>(26.4)</b>	<b>(18.8)</b>

Reorganisation and severance costs in the year ended 30 June 2013 primarily represent amounts provided in relation to the business efficiency and process changes. The costs in the year ended 30 June 2012 primarily related to the closure of the Group's Warwick offices.

Other one off activities includes substantial costs relating other business change projects.

The above amounts are deductible for the purpose of taxation. The aggregate tax impact of these items was a tax deduction of £6.3m (2012: £4.8m).

## Arqiva Holdings Limited

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### 5 Staff costs

The Company had no employees during the year (2012: none). The average monthly number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2013	Group Year ended 30 June 2012
	Number	Number
Broadcast and Media	199	245
Digital Platforms	23	18
Telecoms	243	162
Business Operations	1,095	1,160
Corporate Support	344	313
<b>Total staff numbers</b>	<b>1,904</b>	<b>1,898</b>

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2013	Group Year ended 30 June 2012
	£'m	£'m
Wages and salaries	117.2	117.8
Social security costs	12.4	12.3
Other pension costs	9.9	9.6
<b>Total staff costs</b>	<b>139.5</b>	<b>139.7</b>

### 6 Directors' emoluments

During the year four Directors (2012: four) were employees of Arqiva Limited, who were not members of any group pension scheme.

One of the Directors (2012: one) was a representative of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and certain other entities outside of the Group. It is possible to make an accurate apportionment of this Director's emoluments in respect of their service to the Group. Accordingly, this is taken into account in providing the following disclosure:

	Group Year ended 30 June 2013	Group Year ended 30 June 2012
	£'m	£'m
Aggregate emoluments	0.7	0.2
Contributions to defined contribution pension schemes	0.1	-
Sums paid to third parties in respect of services	0.1	-
<b>Total emoluments</b>	<b>0.9</b>	<b>0.2</b>

All other Directors were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's emoluments in respect of each of their service to the Company and the Group except where sums are paid to third parties in respect of services. Accordingly, the details set out in the table above include no emoluments in respect of these Directors other than in relation to sums paid to third parties in respect of services.



## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### Highest paid director

Included in the above are emoluments in respect of the highest paid Director of:

	Group Year ended 30 June 2013 £'m
Aggregate emoluments	0.3
Total emoluments	<u>0.3</u>

## 7 Interest receivable and similar income

	Group Year ended 30 June 2013 £'m	Group Year ended 30 June 2012 £'m
Bank interest	0.1	0.1
Finance lease interest receivable	0.3	0.3
Interest receivable from parent undertakings	-	0.3
Other interest	0.4	1.2
<b>Total interest receivable</b>	<u>0.8</u>	<u>1.9</u>

## 8 Interest payable and similar charges

	Group Year ended 30 June 2013 £'m	Group Year ended 30 June 2012 £'m
Bank loans and overdrafts	0.1	0.1
Interest payable to parent undertakings	22.2	3.0
Finance lease interest	1.1	1.2
Other interest	12.9	11.6
	<u>36.3</u>	<u>15.9</u>
Less: capitalised interest	(0.2)	(1.9)
<b>Total interest payable</b>	<u>36.1</u>	<u>14.0</u>

## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### 9 Tax on profit on ordinary activities

	Group Year ended 30 June 2013 £'m	Group Year ended 30 June 2012 £'m
<b>(a) Analysis of tax credit for the year</b>		
<b>Current tax</b>		
Overseas tax	0.3	0.4
<b>Total current tax</b>	<b>0.3</b>	<b>0.4</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(16.8)	(13.4)
Deferred tax on pension liability charged to profit and loss account	0.1	1.7
Impact of rate change	0.7	0.1
Prior year adjustment	(2.8)	(4.3)
<b>Total deferred tax</b>	<b>(18.8)</b>	<b>(15.9)</b>
<b>Tax on profit on ordinary activities</b>	<b>(18.5)</b>	<b>(15.5)</b>
<b>(b) Factors affecting the current tax charge for the year</b>		
The tax charge assessed for the year is different to the standard rate of tax in the UK of 23.75% (2012: 25.5%). The differences are explained below:		
Profit on ordinary activities before taxation	212.6	256.1
Profit before taxation multiplied by standard rates of corporation tax in the United Kingdom of 23.75% (2012: 25.5%)	50.5	65.3
Expenses not deductible for tax purposes	1.0	1.0
Amortisation of goodwill	5.5	5.7
Depreciation in excess of capital allowances	19.9	17.5
Non qualifying depreciation	6.4	6.0
Associate / joint venture expense with no tax applicable	(0.4)	(0.4)
Income not subject to corporation tax	(0.3)	(2.1)
Utilisation of recognised tax losses	(1.4)	(1.0)
Other timing differences	(1.6)	(2.2)
Loss on disposal of fixed assets	1.0	-
Tax losses group relieved for nil consideration	(80.3)	(89.4)
<b>Total current tax</b>	<b>0.3</b>	<b>0.4</b>

The UK corporation tax rate was reduced from 24% to 23% effective from 1 April 2013. Therefore for the purpose of this tax reconciliation a blended tax rate of 23.75% has been used.

There has been a stated intention to reduce the UK corporation tax in future years (see note 14).

## Arqiva Holdings Limited

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### 10 Dividends

Equity dividends on ordinary shares:

	Group Year ended 30 June 2013	Group Year ended 30 June 2012
	£'m	£'m
Interim dividend £nil (2012: paid on 6 December 2011 of £2.83 per share)*	-	85.0
Interim dividend £nil (2012: paid on 14 May 2012 of £4.80 per share)*	-	144.0
Interim dividend paid on 27 July 2012 of £0.034 per share	65.0	-
	<b>65.0</b>	<b>229.0</b>

\*The above dividends were paid by Arqiva Limited to its former parent company prior to the corporate restructuring process on 27 June 2012 which saw the company become a subsidiary of the Group.

### 11 Intangible assets

Group	Licences £'m	Development costs £'m	Access rights £'m	Goodwill £'m	Total £'m
<b>Cost</b>					
At 1 July 2012	3.6	1.0	25.0	508.5	538.1
Additions	1.0	-	7.5	18.1	26.6
<b>At 30 June 2013</b>	<b>4.6</b>	<b>1.0</b>	<b>32.5</b>	<b>526.6</b>	<b>564.7</b>
<b>Accumulated amortisation</b>					
At 1 July 2012	2.1	1.0	22.7	227.4	253.2
Charged in the year	0.5	-	1.8	23.2	25.5
<b>At 30 June 2013</b>	<b>2.6</b>	<b>1.0</b>	<b>24.5</b>	<b>250.6</b>	<b>278.7</b>
<b>Net book value</b>					
<b>At 30 June 2013</b>	<b>2.0</b>	<b>-</b>	<b>8.0</b>	<b>276.0</b>	<b>286.0</b>
At 30 June 2012	1.5	-	2.3	281.1	284.9

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

Purchased goodwill arose in the year on the purchase of Spectrum Interactive Limited and Connect TV Limited, and their respective subsidiaries.

The Company has no intangible assets (2012: nil).

## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### Acquisition of the Spectrum Interactive Group

On 1 October 2012 the Group acquired 100% of the share capital of Spectrum Interactive Limited. As part of the same transaction the Group also acquired 100% of the share capital of Arqiva WiFi Limited (formerly Spectrum Interactive (UK) Limited); NWP Street Limited; NWP Spectrum Holdings Limited and Spectrum Interactive (UK) Limited (formerly Arqiva WiFi Limited and UK Explorer Limited) and 50% of the share capital of Selective Media Limited (see below). The Spectrum Interactive Limited group provides WiFi services, public internet desks and managed payphones and Selective Media Limited provides location based advertising.

During the period from acquisition to 30 June 2013, the acquired companies reported the following results:

	£'m
Turnover	9.1
Cost of sales	(5.5)
Administrative expenses (excluding depreciation and amortisation)	(2.3)
<b>EBITDA</b>	<b>1.3</b>

Disclosure of the impact of the acquisition on the cash flow is not made on the grounds of materiality.

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

	Book value	Adjustments	Fair value
	£'m	£'m	£'m
Tangible fixed assets	3.8	-	3.8
Intangible fixed assets	7.9	-	7.9
Deferred tax asset	0.9	-	0.9
Bank and cash	0.5	-	0.5
Debtors	1.1	-	1.1
Creditors	(4.0)	-	(4.0)
Loans and finance leases	(0.1)	-	(0.1)
Provisions	(0.1)	-	(0.1)
<b>Net assets acquired</b>	<b>10.0</b>	<b>-</b>	<b>10.0</b>
<b>Goodwill</b>			<b>14.1</b>
Cash consideration			24.1
Acquisition fees			-
<b>Total consideration</b>			<b>24.1</b>

The book values of the assets and liabilities have been taken from the accounts as at acquisition, and there were no material fair value adjustments.

On 2 May 2013, the Group acquired the remaining 50% of the share capital of Selective Media Limited. Consideration paid was £0.3m and after allowing for other acquisition costs and an estimated fair value of net liabilities acquired, this acquisition gave rise to a goodwill balance of £0.3m.

## Arqiva Holdings Limited

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### Acquisition of the Connect TV Group

On 4 September 2012 the Group acquired 100% of the share capital of Connect TV Limited. As part of the same transaction the Group also acquired 100% of the share capital of Connect TV (Scotland) Limited. The principal activity of the Group was that of TV programme distribution activities.

Disclosure of the impact of the acquisition on the results and cash flow are not made on the grounds of materiality.

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

	Book value	Adjustments	Fair value
	£'m	£'m	£'m
Debtors	0.4	-	0.4
Creditors	(0.3)	-	(0.3)
<b>Net assets acquired</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>
<b>Goodwill</b>			<b>3.7</b>
Cash consideration			3.7
Acquisition fees			0.1
<b>Total consideration</b>			<b>3.8</b>

The book values of the assets and liabilities have been taken from the accounts as at acquisition, and there were no material fair value adjustments.

## Arqiva Holdings Limited

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### 12 Tangible assets

Group	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£'m	£'m	£'m	£'m	£'m
<b>Cost</b>					
At 1 July 2012*	214.2	64.5	1,785.3	167.5	2,231.5
Acquisitions	-	-	3.8	-	3.8
Additions to AUC	-	-	-	137.6	137.6
Completion of AUC	8.1	6.4	89.5	(104.0)	-
Disposals	(2.1)	(0.3)	(110.3)	(0.5)	(113.2)
<b>At 30 June 2013</b>	<b>220.2</b>	<b>70.6</b>	<b>1,768.3</b>	<b>200.6</b>	<b>2,259.7</b>
<b>Accumulated depreciation</b>					
At 1 July 2012*	53.9	20.2	828.2	-	902.3
Charge for the year	6.8	1.2	106.4	-	114.4
Disposals	(1.5)	(0.1)	(103.1)	-	(104.7)
<b>At 30 June 2013</b>	<b>59.2</b>	<b>21.3</b>	<b>831.5</b>	<b>-</b>	<b>912.0</b>
<b>Net book value</b>					
<b>At 30 June 2013</b>	<b>161.0</b>	<b>49.3</b>	<b>936.8</b>	<b>200.6</b>	<b>1,347.7</b>
At 30 June 2012*	160.3	44.3	957.1	167.5	1,329.2

\* Opening balances have been restated for reclassifications between categories, following a review of the structure of asset categories in the underlying asset registers, and to classify assets under the course of construction under a separate heading in line with best practice guidance. These reclassifications have no impact on the total cost, accumulated depreciation or net book value as previously reported.

The Group's fixed and other assets have been pledged as security under the terms of the Groups external debt facilities (see note 25).

Borrowing costs relating to the DSO project were capitalised during the year totalling £0.2m (2012: £1.9m) at a capitalisation rate of 3.5% (2012: 2.7%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £20.5m (2012: £20.3m).

Plant and equipment additions of £3.8m relate to the acquisition of assets as part of the purchase of Spectrum Interactive Limited (see note 11).

Freehold land included above but not depreciated amounts to £86.7m (2012: £84.2m).

Assets held under finance leases, capitalised and included within fixed assets are shown in the table below:

	Land and buildings
	£'m
Cost	10.9
Accumulated depreciation	(3.3)
<b>Net book value</b>	
<b>At 30 June 2013</b>	<b>7.6</b>
At 30 June 2012	8.0

The Company has no tangible fixed assets (2012: nil).

## Arqiva Holdings Limited

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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
Arqiva Limited (held directly)	United Kingdom	Transmission services	30-Jun	100%
Arqiva Services Limited (held directly)	United Kingdom	Transmission services	30-Jun	100%
Arqiva Inc	USA	Satellite transmission services	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva No 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Lattice Telecommunications Asset Development Company Limited	United Kingdom	Telecommunications infrastructure	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva WiFi Limited (formerly Spectrum Interactive (UK) Limited)	United Kingdom	WiFi services	30-Jun	100%
NWP Street Limited	United Kingdom	WiFi services	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	52.50%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
<b>Joint ventures</b>				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30-Jun	24.99%
YouView TV Limited	United Kingdom	Open source IPTV development	31-Mar	14.30%
<b>Associate undertakings:</b>				
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%

## Arqiva Holdings Limited

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Group	Investments in associates and joint ventures £'m
<b>Investments</b>	
At 1 July 2012	11.1
Share of retained profit	0.7
<b>At 30 June 2013</b>	<b>11.8</b>
<b>Accumulated amortisation</b>	
At 1 July 2012	-
Charged in the year	1.8
<b>At 30 June 2013</b>	<b>1.8</b>
<b>Net book value</b>	
<b>At 30 June 2013</b>	<b>10.0</b>
At 30 June 2012	11.1

Company	Arqiva Limited £'m	Arqiva Services Limited £'m	Total £'m
<b>At 1 July 2012 and at 30 June 2013</b>	<b>1,724.9</b>	<b>294.5</b>	<b>2,019.4</b>

The Directors believe that the carrying values of the investments are supported by their underlying trade and net assets.

## 14 Debtors

	Group 30 June 2013 £'m	Group 30 June 2012 £'m	Company 30 June 2013 £'m	Company 30 June 2012 £'m
Trade debtors	89.8	84.6	-	-
Amounts owed by Group undertakings	419.7	400.0	64.8	64.8
Amounts owed by joint ventures (note 27)	0.1	-	-	-
Other debtors	7.4	10.1	-	-
Prepayments and accrued income	105.1	95.2	-	-
Deferred tax asset	35.2	15.3	-	-
<b>Total debtors</b>	<b>657.3</b>	<b>605.2</b>	<b>64.8</b>	<b>64.8</b>

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



## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

Deferred tax asset	Group 30 June 2013 Asset £'m	Group 30 June 2012 Asset/(Liability) £'m
At 1 July	15.3	(2.2)
Credited to the profit and loss account	19.0	17.5
On acquisition (see note 11)	0.9	-
<b>At 30 June</b>	<b>35.2</b>	<b>15.3</b>
Accelerated capital allowances	29.5	6.8
Short term timing differences	0.6	0.7
Tax losses	5.1	7.8
<b>Deferred tax asset</b>	<b>35.2</b>	<b>15.3</b>

The deferred tax asset of £35.2m has been calculated based on the UK corporation tax rate of 23% (the rate in force at the balance sheet date). There has also been a stated intention to reduce the UK corporation tax rate to 20% by April 2015 by a number of changes in the UK corporation tax rate; these changes have not been substantively enacted.

### Finance leases

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

	Group 30 June 2013 £'m	Group 30 June 2012 £'m
Net investment in finance leases and hire purchase contracts comprises:		
Total amounts receivable	5.2	5.6
Less: Interest allocated to future years	(2.0)	(2.3)
<b>Total finance leases</b>	<b>3.2</b>	<b>3.3</b>

Rentals receivable during the year under finance leases and hire purchase contracts amount to £0.6m (2012: £0.3m).

Amounts owed by Group undertakings are unsecured and repayable on demand. Interest has been charged on £19.0m at 9.5% and £400.7m at 0% for Group balances (2012: £0.2m at 9.75% and £399.8m at 0%), and £64.8m at 0% for Company balances (2012: £64.8m at 0%).

Under the terms of the inter-company agreements the Company is only entitled to demand repayment of the loans to the extent surplus cash is available to do so and if this would not cause any of the Group undertakings to become insolvent.

## 15 Cash at bank and in hand

	Group 30 June 2013 £'m	Group 30 June 2012 £'m
Cash at bank	11.8	4.5
Short term deposits	70.9	39.3
<b>Total cash</b>	<b>82.7</b>	<b>43.8</b>

The Company has no cash at bank and in hand.

## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### 16 Creditors: amounts falling due within one year

	Group 30 June 2013 £'m	Group 30 June 2012 £'m	Company 30 June 2013 £'m	Company 30 June 2012 £'m
Trade creditors	68.4	61.1	-	-
Amounts owed to Group undertakings	348.0	405.0	171.9	156.2
Other taxes and social security costs	15.7	12.4	-	-
Other creditors	8.0	13.7	-	-
Accruals and deferred income	267.7	253.1	-	-
Finance lease obligations	0.5	0.5	-	-
<b>Total creditors: amounts falling due within one year</b>	<b>708.3</b>	<b>745.8</b>	<b>171.9</b>	<b>156.2</b>

The Directors consider that the fair value of creditors: amounts falling due within one year closely approximates to book value.

Amounts owed to Group undertakings are unsecured and repayable on demand. Interest has been charged on £258.9m at 9.5% and £89.6m at 0% (2012: £157.9m at 9.75%, £89.2m at 0% and £157.9m at variable rates linked to LIBOR), and £171.9 at 9.5% for Company balances (2012: £156.2m).

### 17 Creditors: amounts falling due after more than one year

	Group 30 June 2013 £'m	Group 30 June 2012 £'m
Accruals and deferred income	116.1	127.7
Finance lease	14.0	14.5
<b>Total creditors: amounts falling due after more than one year</b>	<b>130.1</b>	<b>142.2</b>

The Directors consider that the fair value of creditors: amounts falling due after more than one year closely approximates to book value.

#### Maturity of loans

The total loans analysed below represent finance lease obligations falling due within one year (see note 16) and finance lease obligations falling due after more than one year (see note 17).

	Group 30 June 2013 £'m	Group 30 June 2012 £'m
Within one year	0.5	0.5
In more than one year, but not more than five years	1.5	1.5
In more than five years	12.5	13.0
<b>Total loans</b>	<b>14.5</b>	<b>15.0</b>

The Company has no creditors: amounts falling due after more than one year (2012: nil).

## Arqiva Holdings Limited

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### Finance leases

Future minimum payments under finance leases are as follows:

	Group 30 June 2013 £'m	Group 30 June 2012 £'m
Within one year	1.6	1.6
In more than one year, but not more than five years	5.5	5.7
After five years	19.3	20.7
<b>Total gross payments</b>	<b>26.4</b>	<b>28.0</b>
Less finance charges included above	(11.9)	(13.0)
<b>Total finance leases</b>	<b>14.5</b>	<b>15.0</b>

## 18 Provisions for liabilities and charges

Group	Onerous contract £'m	Decommissioning £'m	Restructuring £'m	Remediation £'m	Other £'m	Total £'m
At 1 July 2012	3.4	36.8	5.7	13.8	0.8	60.5
Released to profit and loss account	-	(1.4)	(0.8)	(3.4)	-	(5.6)
Charged to profit and loss account	-	1.5	10.2	-	-	11.7
Changes relating to movements in the discounted amount	-	1.4	-	-	-	1.4
Utilised	(1.2)	(1.1)	(11.6)	-	-	(13.9)
<b>At 30 June 2013</b>	<b>2.2</b>	<b>37.2</b>	<b>3.5</b>	<b>10.4</b>	<b>0.8</b>	<b>54.1</b>

The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, and onerous lease contracts where the buildings are empty but lease costs are being incurred. The provision is expected to be utilised over the next three years.

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 21 years.

The restructuring provision relates to the costs of a reorganisation of Group operations which will be utilised during the next financial year.

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

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

The Company has no provisions (2012: nil).

## Arqiva Holdings Limited

Annual Report and Consolidated Financial Statements – Year ended 30 June 2013

### 19 Share capital and reserves

	Share capital	Merger reserve	Profit and loss reserve
	£'m	£'m	£'m
<b>Group</b>			
At 1 July 2012	1,902.5	(1,604.1)	1,024.9
Actuarial loss on pension scheme	-	-	(0.5)
Movement on deferred tax relating to pension liability	-	-	0.1
Profit for the financial year	-	-	231.1
Dividends	-	-	(65.0)
Exchange adjustments offset in reserves (translation of foreign investments)	-	-	(0.2)
<b>At 30 June 2013</b>	<b>1,902.5</b>	<b>(1,604.1)</b>	<b>1,190.4</b>
<b>Company</b>			
At 1 July 2012	1,902.5	-	25.4
Loss for the financial year	-	-	(15.7)
<b>At 30 June 2013</b>	<b>1,902.5</b>	<b>-</b>	<b>9.7</b>

The merger reserve arises as a result of the acquisition of the Arqiva Limited sub-group.

<b>Company</b>	<b>30 June 2013</b>
	<b>£'m</b>
Allotted, called up and fully paid ordinary shares of £1 each:	
At 1 July 2012 and at 30 June 2013	<b>1,902.5</b>

### 20 Share premium account

<b>Group and Company</b>	<b>Share Premium Account</b>
	<b>£'m</b>
At 1 July 2012 and 30 June 2013	<b>0.1</b>

## Arqiva Holdings Limited

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### 21 Reconciliation of movement in shareholders' funds

	Year ended 30 June 2013	Year ended 30 June 2012
	£'m	£'m
<b>Group</b>		
Profit for the financial year	231.1	271.6
Dividends	(65.0)	(229.0)
Other recognised gains and losses relating to the year	(0.6)	(10.5)
<b>Net change in shareholders' funds</b>	<b>165.5</b>	<b>32.1</b>
Opening shareholders' funds	1,323.4	1,291.3
<b>Closing shareholders' funds</b>	<b>1,488.9</b>	<b>1,323.4</b>
<b>Company</b>		
Loss for the financial year	(15.7)	(0.2)
Issue of share capital	-	1,568.9
<b>Net change in shareholders' funds</b>	<b>(15.7)</b>	<b>1,568.7</b>
Opening shareholders' funds	1,928.0	359.3
<b>Closing shareholders' funds</b>	<b>1,912.3</b>	<b>1,928.0</b>

### 22 Cash flow from operating activities

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

	Group Year ended 30 June 2013	Group Year ended 30 June 2012
	£'m	£'m
Operating profit	247.2	266.5
Depreciation charge	114.4	92.6
Amortisation charge	27.3	24.7
Loss on disposal of tangible fixed assets	4.2	0.2
Increase in debtors	(11.1)	(5.8)
(Decrease) / increase in creditors	(18.9)	4.4
(Decrease) / increase in provisions	(9.4)	0.2
<b>Net cash inflow from operating activities</b>	<b>353.7</b>	<b>382.8</b>

Net cash inflow from operating activities includes cash outflows relating to exceptional items of £24.6m (2012: £13.2m). The exceptional costs accrued at 30 June 2013 of £2.0m are expected to be paid within the next financial year.

## Arqiva Holdings Limited

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### 23 Analysis of changes in net funds

	Note	At 30 June 2012 £'m	Cash flows £'m	Non-cash changes £'m	At 30 June 2013 £'m
Cash at bank and in hand	15	43.8	38.9	-	82.7
Amounts owed by group undertakings	14,16	(5.0)	98.3	(22.1)	71.2
Loans to joint ventures	14	-	0.1	-	0.1
Finance leases	16,17	(15.0)	0.6	(0.1)	(14.5)
<b>Total</b>		<b>23.8</b>	<b>137.9</b>	<b>(22.2)</b>	<b>139.5</b>

Major non-cash changes include movements in inter-company balances representing interest charges rolled-up into loan capital.

### 24 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 2013 £'m	30 June 2012 £'m
Within one year	19.8	24.7
Within two to five years	-	3.0
<b>Total capital commitments</b>	<b>19.8</b>	<b>27.7</b>

At the balance sheet date, the Group had no forward contracts to sell Euros (2012: £12.0m) or sell US Dollars (2012: £8.1m).

#### Operating leases

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

	30 June 2013 £'m	30 June 2012 £'m
Within one year	0.4	0.7
Later than one year but not later than five years	7.5	6.0
Later than five years	14.6	16.8
<b>Total land, buildings and other infrastructure locations annual lease commitments</b>	<b>22.5</b>	<b>23.5</b>

The annual commitments above exclude amounts relating to contingent rentals, cancellable leases and leases which have expired their initial term and now operate on a rolling notice period of less than one year. Accordingly, the annual lease expense seen in note 3 is greater than the commitment shown above.

Other annual lease commitments expiring:

	30 June 2013 £'m	30 June 2012 £'m
Within one year	0.7	0.1
Later than one year but not later than five years	0.8	1.4
<b>Total other annual lease commitments</b>	<b>1.5</b>	<b>1.5</b>

## 25 Contingent liabilities

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

## 26 Pension commitments

### Defined benefit scheme

In the year to 30 June 2013, the Group operated one defined benefit scheme, sponsored by Arqiva Limited. The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

### Triennial valuation

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, had resulted in an assessed deficit of £17.4m. Gross plan liabilities at the valuation date were £130.5m compared to gross plan assets of £113.1m. Arqiva Limited has agreed with the trustee to make deficit recovery payments into the Plan of £5.7m in July 2013, £5.7m in July 2014 and £4.1m in July 2015, after taking into account payments already made under the previous recovery plan since the date of the valuation.

### FRS 17 assumptions

The assumptions used for the scheme for the purpose of the FRS 17 accounting position as at the year end 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 FRS 17 liabilities and the deficit / surplus of assets below / above the FRS 17 liabilities (which equals the gross pension liability / asset).

An actuarial valuation for the purpose of statutory reporting under FRS 17 was carried out at 30 June 2013 in consultation with an independent firm of consulting actuaries, Lane Clark & Peacock LLP. The principal assumptions made are:

	30 June 2013	30 June 2012
Price inflation (RPI)	3.40%	3.00%
Price inflation (CPI)	2.40%	2.00%
Discount rate	4.80%	4.70%
Pension increases (LPI with a minimum of 3%)	3.70%	3.50%
Salary growth	3.40%	3.00%
Life expectancy of a male age 60 (current pensioner)	26.7yrs	26.6yrs
Life expectancy of a male age 60 (future pensioner)	28.3yrs	28.2yrs

As required by FRS 17 'Retirement benefits', the value of the defined benefit liabilities has been measured using the projected unit method.

## Arqiva Holdings Limited

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### Asset distribution and long term rate of return expected

	30 June 2013 Expected return	30 June 2013 Fair value £'m	30 June 2012 Expected return	30 June 2012 Fair value £'m
Equities	7.30%	80.0	6.70%	65.6
Bonds	3.95%	66.1	3.50%	62.5
Cash	0.50%	1.0	0.50%	0.2
<b>Total</b>		<b>147.1</b>		<b>128.3</b>
<b>Balance sheet</b>				
Total fair value of assets		147.1		128.3
Present value of scheme liabilities		(150.1)		(131.3)
Gross pension liability		(3.0)		(3.0)
Deferred tax asset		0.7		0.7
<b>Net pension liability</b>		<b>(2.3)</b>		<b>(2.3)</b>

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

A higher long term rate of return is expected on equity investments than that which is available on bonds. The extent to which equities are assumed to provide higher returns than bonds in the future is estimated based on the returns achieved above bond returns historically and market conditions at the balance sheet date.

Arqiva Limited pays contributions of between 24.1% and 32.7% of pensionable salaries for the majority of the 351 active members of the scheme, as at the last triennial valuation date, plus the cost of matching Additional Voluntary Contributions ('AVCs').

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

	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m
1 July	131.3	109.5
Current service costs	4.7	4.6
Settlements	0.6	0.6
Contributions by employees	1.7	1.8
Interest cost	6.3	6.3
Benefits paid	(2.5)	(2.0)
Actuarial loss	8.0	10.5
<b>30 June</b>	<b>150.1</b>	<b>131.3</b>

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

	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m
1 July	128.3	113.1
Expected return on scheme assets	6.7	7.5
Actuarial gain / (loss)	7.5	(3.3)
Contributions by employers	5.4	11.2
Contributions by employees	1.7	1.8
Benefits paid	(2.5)	(2.0)
<b>30 June</b>	<b>147.1</b>	<b>128.3</b>



## Arqiva Holdings Limited

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The post retirement deficit under FRS 17 moved over the year as follows:

	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m
(Deficit) / surplus at 1 July	(3.0)	3.6
Current service costs	(4.7)	(4.6)
Settlements	(0.6)	(0.6)
Contributions	5.4	11.2
Other net finance income	0.4	1.2
Actuarial loss	(0.5)	(13.8)
<b>Deficit at 30 June</b>	<b>(3.0)</b>	<b>(3.0)</b>

The following amounts have been included within operating profit:

	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m
Current services cost (employer only)	4.7	4.6
Settlements	0.6	0.6
<b>Total operating charge</b>	<b>5.3</b>	<b>5.2</b>

The following amounts have been included as net finance expense under FRS 17:

	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m
Expected return on pension scheme assets	6.7	7.5
Interest on post retirement liabilities	(6.3)	(6.3)
<b>Net finance income</b>	<b>0.4</b>	<b>1.2</b>

The actual return on scheme assets was a gain of £14.2m (2012: £4.2m).

The following amounts have been recognised within the statement of group total recognised gains and losses ('STRGL') under FRS 17:

	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m
Actual return less expected return on scheme assets	7.5	(3.3)
Losses due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(8.0)	(12.2)
Experience gains arising on the scheme's liabilities	-	1.7
<b>Actuarial loss recognised in the STRGL</b>	<b>(0.5)</b>	<b>(13.8)</b>

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £15.5m (2012: £15.0m).

## Arqiva Holdings Limited

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The history of experience gains and losses is:

	2013	2012	2011	2010	2009
	£'m	£'m	£'m	£'m	£'m
Present value of scheme liabilities	(150.1)	(131.3)	(109.5)	(101.8)	(78.5)
Fair value of scheme assets	147.1	128.3	113.1	89.5	68.5
(Deficit) / surplus on scheme	(3.0)	(3.0)	3.6	(12.3)	(10.0)
Actual return less expected return on scheme assets	7.5	(3.3)	10.6	7.6	(10.6)
Percentage of Scheme's assets	5%	(3%)	9%	9%	(16%)
Experience gains and (losses) arising on scheme's liabilities	-	1.7	-	-	(1.0)
Percentage of the FRS 17 value of the scheme's liabilities	0%	(1%)	0%	0%	1%
Total amount recognised in the STRGL	(0.5)	(13.8)	12.5	(6.1)	(3.0)
Percentage of the FRS 17 value of the scheme's liabilities	0%	11%	(11%)	6%	4%

The scheme is closed to new entrants and under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

### Other pension schemes

#### Arqiva Limited

Arqiva Limited has operated a defined contribution scheme during the year, for those employees who are not members of the Defined Benefit scheme described above. Contributions payable in respect of this scheme for the year were £4.6m (2012: £4.3m). The assets of the scheme are held outside of the Group.

An amount of £0.7m (2012: £0.7m) is included in accruals being the outstanding contributions to the defined contribution scheme.

#### Arqiva Inc

Arqiva Inc operates a defined contribution scheme for its employees. Contributions payable in respect of this scheme for the year were £19,000 (2012: £67,000). The assets of the scheme are held outside of the Group.

An amount of £2,000 (2012: £6,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

## **Arqiva Holdings Limited**

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### **27 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 disclosures'.

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:**

As at 30 June 2013, the amount outstanding from Arts Alliance Media Investment Limited, a joint venture company, including accrued interest was £0.1m (2012: £nil).

In 2012 the Group received a dividend from MXR Holdings Limited, a Company in which the Group has a trade investment, of £0.1m (2012: £0.1m). This balance represents a loan advanced during the year. Interest charged during the year was £5,000 at 12% (2012: £nil).

The Group paid subscriptions of £2.8m (2012: £2.6m) to DTV Services Limited, an associate undertaking, and £7.5m (2012: £5.5m) to YouView TV Limited, a joint venture.

There were no other related party transactions for the year ended 30 June 2013.

### **28 Immediate parent company and ultimate UK parent undertaking**

The Company's immediate parent is ATIL. Arqiva Group Parent Ltd ('AGPL') is the parent undertaking of the smallest group to consolidate these financial statements.

ABHL is the ultimate UK parent undertaking and is the parent undertaking of the largest UK group to consolidate these financial statements.

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

### **29 Controlling parties**

ABHL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities. There is no ultimate controlling party of the Company, as defined by FRS 8.