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Arqiva Broadcast Parent Limited
Registered number 08085823

Annual Report
For the year ended 30 June 2019

Corporate information

As at the date of this report:

Group Board of Directors

Simon Beresford-Wylie
(Chief Executive Officer)

Mark Braithwaite

Frank Dangeard
(appointed 10 September 2018)

Mike Darcey
(appointed 10 September 2018)

Sally Davis

Paul Donovan
(appointed 10 September 2018)

Martin Healey

Neil King

Nathan Luckey

Peter Adams (alternate)

Mike Parton (Chairman)

Christian Seymour

Max Fieguth (alternate)
(appointed 30 November 2018)

Sean West (Chief Financial Officer) (appointed 15 May 2019)

Group website:
www.arqiva.com

Independent Auditors
PricewaterhouseCoopers LLP, Savannah House, 3 Ocean Way, Southampton, United Kingdom SO14 3TJ

Company[1] Directors:

Peter Adams

Mark Braithwaite

Frank Dangeard
(appointed 10 September 2018)

Mike Darcey
(appointed 10 September 2018)

Sally Davis

Paul Donovan
(appointed 10 September 2018)

Max Fieguth
(appointed 30 November 2018)

Martin Healey

Neil King

Nathan Luckey

Mike Parton

Christian Seymour

Deepu Chintamaneni
(resigned 30 November 2018)

Paul Dollman
(resigned 10 September 2018)

Damian Walsh
(resigned 10 September 2018)

Company secretary:

Jeremy Mavor

Registered Office
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
08085823

[1] In respect of Arqiva Broadcast Parent Limited, the parent company of the Group

Cautionary statement

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

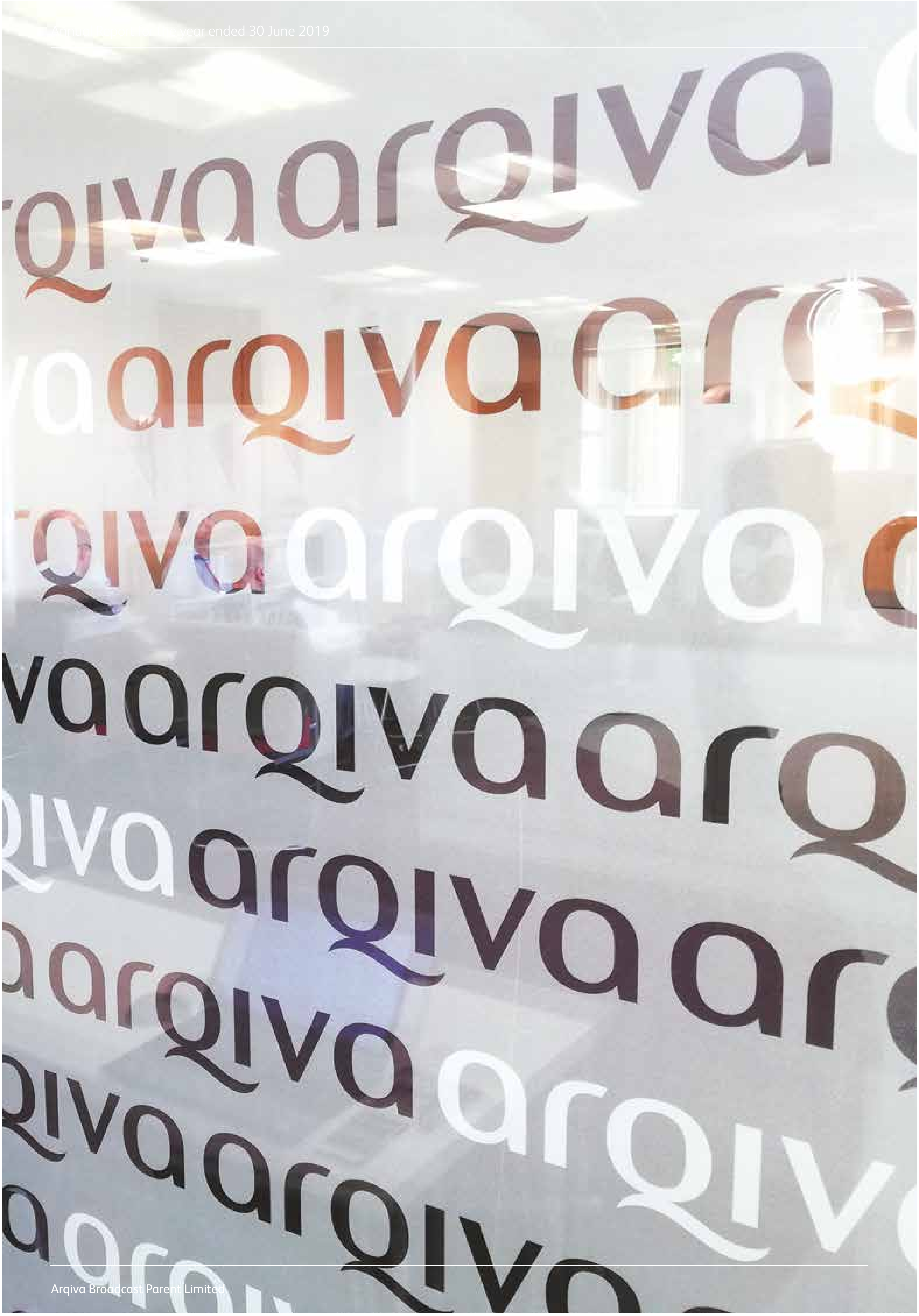
The risks and uncertainties referred to above include:

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

Guidance note to the annual report:
In this document, references to 'Arqiva' and 'the Group' refer to Arqiva Broadcast Parent Limited ('ABPL') and its subsidiaries and business units as the context may require. References to the 'Company' refer to the results and performance of Arqiva Broadcast Parent Limited as a standalone entity.

Arqiva Smart Metering Limited ('ASML') is the legal entity that won the contract for smart energy metering and, whilst it sits within the ultimate parent group, it is external to the ABPL financing group. ASML has contracted with Arqiva Limited (a company within the ABPL financing group) for the provision of the core network, sites and spectrum that will support the delivery of this contract. The procurement and financing of the communications hubs (which allow information to be sent to and from the network) will be performed by ASML. Accordingly, the ABPL group is expected to benefit from the substantial majority, but not all, of the smart metering contract revenue through charges levied to ASML.

A reference to a year expressed as 2019 is to the financial year ended 30 June 2019. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to 'current year', 'this year' and 'the year' are in respect of the financial year ended 30 June 2019. References to the 'prior year' and 'last year' are to the financial year ended 30 June 2018.


arqiva

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Cover Image: Built in 1962, the communications tower at Croydon is 499ft high and provides radio services to the surrounding area, as well as providing back up for Digital Television for the nearby Crystal Palace tower.

Arqiva in 2019

Arqiva is the leading independent telecom towers operator and sole terrestrial broadcast network provider in the United Kingdom, holding significant investments in essential communications infrastructure. This non-replicable asset base across Arqiva's business units, as described below, will support Arqiva's leading position for the foreseeable future.

c.1,150

TV transmission sites covering 98.5% of the UK population with the DTT[1] platform

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[2], giving videostream capacity of 32 channels, and a further two HD capable multiplexes

c.1,500

radio transmission sites, including the roll-out of 19 new DAB[3] services for SDL[4] during the year

c.8,000

active licensed macro cellular sites[5]

700MHz Clearance activities completed on 613 sites, now over 60% through the programme

c.80 satellite dishes accessing...

...40+ satellites

from **5 teleports** distributing 1,100 TV channels internationally

Smart network to cover up to 12 million UK premises, with 99% network coverage and over 400,000 smart meters sold to date

Access to 200,000+ municipal street furniture sites for the provision of Small Cells in 14 London Boroughs

1 Refers to the Digital Terrestrial Television platform, best known for supporting Freeview.
2 Main national commercial multiplexes refers to those considered to be most established.
3 Refers to Digital audio broadcasting
4 Refers to Sound Digital Limited
5 Reference to 8,000 sites includes contractual options on the assignment of sites; hereafter referred to as 'circa 8,000 active licensed macro sites'.

Key activities in the execution of Arqiva's strategy include:

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support platform development;
- Expanding channel choice, optimising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz Clearance programme to meet target completion date in 2021;
- Continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market;
- Growing the Satellite data communications business in UK utilities and international energy, aeronautical and maritime sectors;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNOs;
- Developing a 'lean towerco' operating model;
- Preparing to be a leading partner within the 5G ecosystem;
- Growing the value of the M2M business within the utilities sector through the provision of smart metering;
- Consolidation of the broadcast business areas to provide a more streamlined and efficient service to our customers ;
- Investing in new technologies through our transformation programme to ensure our infrastructure is underpinned by operational excellence and an efficient cost base;
- Maintaining the robustness of Arqiva's capital structure, with a long-term debt platform which has an average debt maturity of over 5 years, and investment grade credit rating over our senior debt;
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a great place to work.

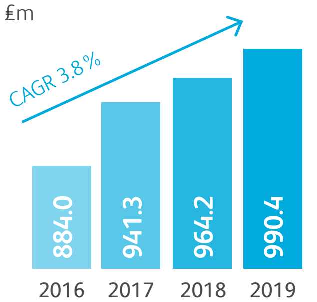
See also
Strategic Overview:
Pages 17-18

See also
Business Model and Business Units:
Pages 13-14

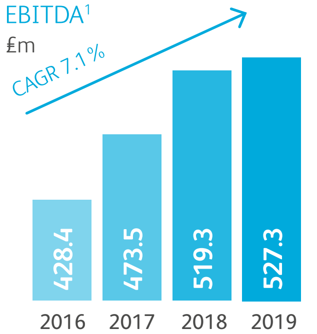
Highlights

With major programmes at a peak throughout 2018 and 2019, Arqiva has continued to deliver growth in revenue and EBITDA. This growth has been delivered despite a decline in operating profit and operating cash flows after capital and financial investment due to phasing of programmes for example reducing capital expenditure.

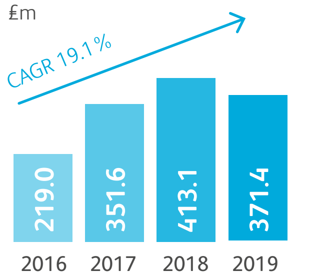
Revenue
£m



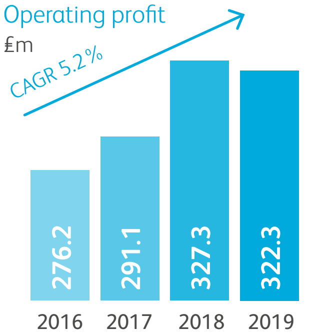
EBITDA[1]
£m



Operating cash flow after capital and financial investment activities[2]
£m



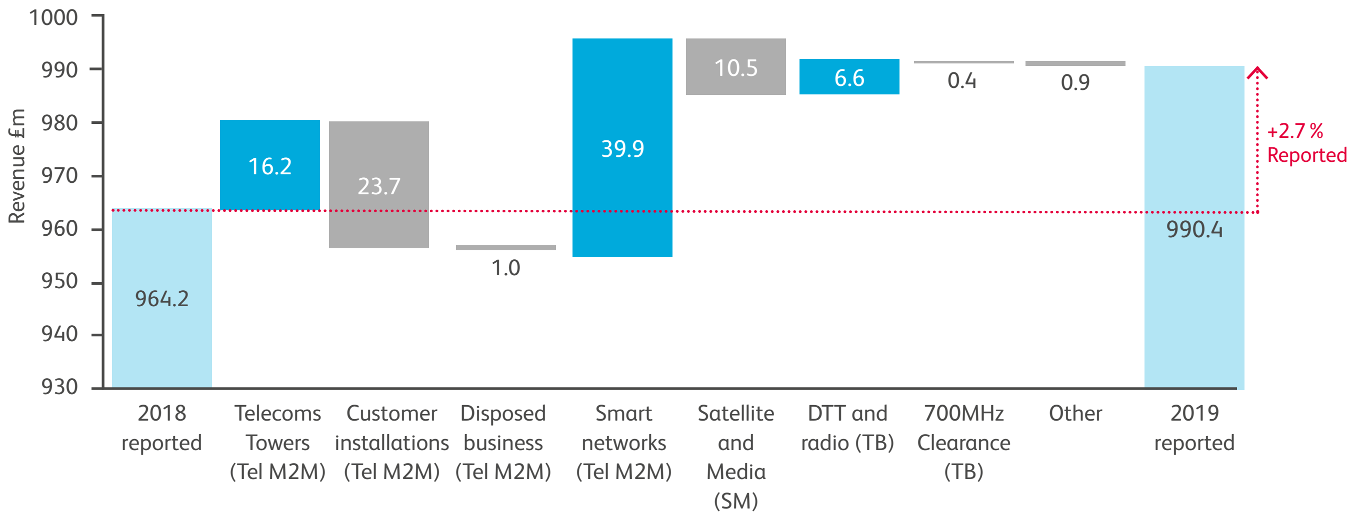
Operating profit
£m



Compound Annual Growth Rate ('CAGR')

Key influences on revenue growth[3] (£m):

Group revenue has increased 2.7 %, with the primary increases being in Telecoms towers, smart networks, DTT and radio. These have been offset by decreases reflecting changes in the business, in particular where major programmes activity, for example Installation Services, decrease as the projects near completion.



1 EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation'. This includes adjustments for certain other items charged to operating profit that do not reflect the underlying business performance. See page 23 for where this measure is fully explained and reconciled back to operating profit as presented in the income statement.

2 Operating cash flow after capital and financial investment activities is a non-GAAP measure and represents the net cash generated by the business after investment in capital items. This represents the remaining cash available to service the capital structure of the business, or the return of cash to shareholders in the form of dividends. A full reconciliation between this measure and net cash generated from operations is presented on page 24.

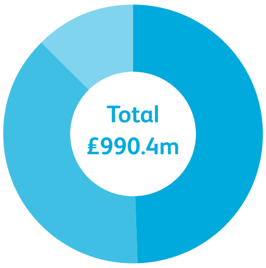
3 Key drivers are stated along with the operating segment in which these business streams are aligned, i.e. Terrestrial Broadcast ('TB'), Telecoms & M2M ('TelM2M') and Satellite and Media ('SM'). The 'disposed businesses' principally relate to Tel M2M, whilst 'other movements' reflect a number of smaller movements across the business as a whole. Further information and narrative is included in the financial review on page 21.

Revenue by operating segment £m

Terrestrial Broadcast
£491.3m (2018: £489.4m)

Telecoms & M2M
£375.9m (2018: £341.3m)

Satellite & Media
£123.2m (2018: £133.5m)

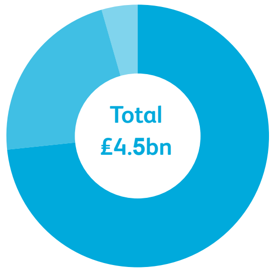


Contracted Order Book £bn

Terrestrial Broadcast
£3.3bn (2018: £3.5bn)

Telecoms & M2M
£1.0bn (2018: £1.3bn)

Satellite & Media
£0.2bn (2018: £0.2bn)



Highlights during the year include:

- Revenue growth for the year of 2.7%, including organic growth of 2.8%[1],
- Peak activity in the delivery of the 700MHz Clearance programme in accordance with key programme milestones, with work completed on 613 sites thus far;
- Continuing the delivery phase of the smart energy metering contracts, and implementing incremental contract change requests, finishing the year in line with milestones and network coverage of circa 99%;
- 1.5% increase in EBITDA including EBITDA growth in the Telecoms & M2M (6.1%) and Terrestrial Broadcast (0.2%) business units;
- Refinancing of the Group's £600m 9.5% coupon junior bonds, due in 2020, raising £625m of new bonds, maturing in 2023 with a coupon of 6.75%.

1 Organic growth refers to the underlying performance of the business excluding the impact of non-core business areas which were disposed in the current or comparative period (e.g. the Group's Inbuilding business within the Telecoms and M2M business unit).

Chairman's introduction

"The delivery of our major capital programmes has progressed, meeting milestones and having a positive impact on the financial performance of the business."

Growth in Financial Performance

The 2019 financial year has seen the group maintain another year of revenue growth for the business. This demonstrates the continued success and hard work of our people in being able to adapt and take advantage of opportunities within our markets. There has been continued investment in our core broadcast and telecoms markets in order to maintain our infrastructure and the unique position that this places us in.

The delivery of our major capital programmes has progressed, meeting milestones and having a positive impact on the financial performance of the business. However, as these programmes mature, and in some cases move towards completion, our activity in these areas will reduce and we must focus on how we can further develop and leverage our platforms.

This year we have seen the Group undergo an operating review to refine and focus our business model around our core business areas. Effective in the new financial year, this change brings together our Terrestrial Broadcast, Satellite and Media and Networks parts of the business in to one single business unit, Media Networks. This will allow us to combine the knowledge of the different areas and better serve our customers, putting us in a position to be able to adapt and respond to changes in the industry in line with consumer trends. From 1 July 2019, the Group will therefore be structured into two operating divisions (Media Networks and Telecoms & M2M) supported by central corporate functions.

Changes to the Board

In 2019, we welcomed Frank Dangeard, Mike Darcey and Paul Donovan to the Board. Frank Dangeard has been appointed as an Independent Non-executive director and replaces Paul Dollman as chair of the audit committee. Mike Darcey has been appointed by Frequency Infrastructure Communications Assets Limited and Paul Donovan is a joint appointment by IFM Investors and Motor Trades Association of Australia. The three new directors succeed Paul Dollman and Damian Walsh who have left during the year. We thank Paul and Damian for their contribution to Arqiva.

Change in Chief Financial Officer

During the year Jane Aikman, Chief Financial Officer (CFO) left the business. I would like to take this opportunity to thank her for her contribution to the business. Sean West has been appointed as Chief Financial Officer. Sean joined Arqiva in 2015 and previously held the role of Director of Treasury and Corporate Finance.

Outlook

As we move in to the new financial year, we will continue our focus on the core broadcast and telecoms markets, working with our customers to deliver high quality and innovative services. Infrastructure projects such as 700 MHz Clearance, 4G installations and the smart energy metering network are at advanced stages of their respective roll-outs and as the contracts move in to new phases we will continue to adapt to the needs of our markets. We will also maintain communication with our stakeholders to be well positioned for developments in our core markets for example 5G preparations, analogue radio switchover and changing TV trends.

Our new business unit model, along with further transformation across the Group, place us in a strong position and maintain the unique service capabilities that our critical national infrastructure provides. We must focus on our strategic objectives (see page 17 for further information) and continue to adapt and look for opportunities in dynamic markets as people continue to consume increasing amounts of data and watch and listen to content across various platforms.

The Group also continues with its FutureFit transformation programme, moving into the next phase of delivery as we standardise and streamline our processes, achieve efficiencies and improve customer service.

There will be challenges in the market but as we work with key stakeholders, including government, regulatory bodies and our customers we can build strong relationships and ensure we remain at the forefront of decision making in the market in which we operate to build on the trends and opportunities that they offer.

As a final note, on behalf of the Board, I would like to thank all our employees across the business for their dedication and hard work. It is our people which are central to our continued success as a business.

Mike Parton
Chairman
September 2019


"When looking back doesn't interest you anymore, you're doing something right."
Coat Store

Strategic report

Chief Executive's Statement

"Arqiva's financial results for the year reflect strong performance that we have delivered across the business but there have still been challenges."

2019 has been another successful year for Arqiva. This is down to the hard work and commitment displayed by our colleagues in some challenging markets as we continue to deliver strong performance in the service delivery to our customers.

Financials

The financial results for the year reflect the strong performance that we have delivered across the business. Revenue has continued to grow, up 2.7%[1]. Whilst operating profit has decreased 1.5%, EBITDA has increased 1.5%[2]. Although the growth represents strong performance, there have still been challenges, in particular within our Satellite and Media markets.

Our revenue growth has been driven from Telecoms & M2M (10.1%) and Terrestrial Broadcast (0.4%). This has been achieved through increased revenues from the core telecoms towers business, through increased site numbers and continued 4G installation activity, and the Group's smart metering network as well as continued high activity levels on the 700MHz Clearance programme and high utilisation on our DTT multiplexes in Terrestrial Broadcast. Satellite and Media revenues have however decreased (down 7.7%) having been impacted by non-renewal of contracts, rationalisation of services and pricing pressures within the product portfolio.

With major projects at peak levels throughout 2018 and 2019, our financial results have been at their strongest in Arqiva's history. While some of these projects now begin to mature or move towards completion, such revenues are expected to decline in the near future, however the core telecoms towers and broadcast businesses provide strong and predictable revenue streams with long term infrastructure investments and customer contracts a key feature.

With a contracted order book of £4.5bn, inflation linked pricing and the opportunities for utilisation that our unique infrastructure provides, Arqiva is in a strong position in the market. We have continued to invest in new infrastructure across broadcast and mobile networks in order to support an efficient platform for future opportunities.

Operational delivery

Looking across the business, customer delivery has remained strong in 2019.

The 700MHz Clearance programme has continued with peak activity through the year. Arqiva is responsible for a wide range of services required as part of the programme including spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. Activity is, however, expected to decrease over the coming year as the programme remains on track for completion in 2021.

Our smart energy metering contract for the North of England and Scotland is now in full deployment. The Arqiva network is now at 99% coverage and transmitting millions of messages each month between the energy companies and consumer gas and electricity meters. New meters are being installed every day with roll-out expected to accelerate significantly over the next 12 months.

DTT remains a popular medium within the broadcast market. During the year, the Freeview app has launched connecting consumers to live and on demand content from BBC, ITV, Channel 4, 5 and UKTV Play. This app demonstrates the Group's development capabilities having been at the forefront of the app development.

Installation services for 4G roll-out, helping MNOs meet coverage requirements, has continued but at lower activity levels during the year as the roll-out approaches completion. We continue our engagement with the MNOs on planning for 5G roll-out in the

1 Reported revenues of £990.4m in 2019, and £964.2m in 2018

2 Referencing operating profit (2019: £322.3m; 2018: £327.3m) and EBITDA as reported on page 21 (2019: £527.3m; 2018: £519.3m)

near future.

Our strategy for growth

During 2019, we reviewed the operating model of the business and made the decision to consolidate theTerrestrial Broadcast and Satellite and Media parts of the business ,along with our Networks team, in to a combined customer facing business unit 'Media Networks' from 1 July 2019 (see page 15 for more information). These portfolio and organisational changes that have been announced are now live as we enter the next financial year. These changes, designed to better support our customers, are fundamental to our ability to respond to the dynamic conditions of the markets in which we operate. As our markets mature, and our major programmes progress from recent peak activity, we will continue to face challenges and need to adapt. Within the telecoms market, increasing mobile data demand continues and 5G presents additional technological opportunities but also operational challenges to install and support even greater levels of telecoms equipment on our network of towers. Within the broadcast industry there are continued changes within our markets and changing viewer habits impacting how content is delivered.

In order to respond to these changes, we need to be increasingly aware of the pressures our customers are facing, working with them to understand how best we can serve them. Within Media Networks, everyone is watching and listening to more content, we need to focus on how to utilise hybrid-IP products and reach emerging platforms as well as continuing to maintain traditional TV broadcast services for both free-to-view live and on demand TV. The strategy of refining our business model to bring together Terrestrial Broadcast, Satellite and Media and Networks is a key step in being able to achieve this, providing a more aligned team and ability to deliver for our customers. We will also continue to deliver the 700MHz Clearance programme to clear spectrum to be used for mobile data services and also look at how we can work with the Government and Broadcasters on the review of analogue radio switchover and how our DAB network can be utilised for this.

Within the Telecoms & M2M business, we will continue to deliver on our smart metering contracts. With the initial parts of the contract having been about installing and establishing the network, we now move forward with a focus on supplying more devices for installation which can communicate via the network. Whilst there are also uncertainties in the future of the Telecoms industry, our strategy going forward is to be truly customer focused, to change and develop our capabilities, systems and processes and transform our estates to be able to respond to their needs. This includes investment to enable 5G as MNOs start to deploy this technology.

Management Board Changes

During the year, Matthew Brearley, Director of People and Organisation, left the business with Neil Taplin appointed as his successor. On behalf of the Board, I would like to thank Matthew for his contribution to Arqiva. Neil moves to this position from his role as Director of Operations in the Terrestrial Broadcast business. I also welcome Sean West to the management board as Chief Financial Officer, from his role of Director of Treasury and Corporate Finance having replaced Jane Aikman in May 2019.

Outlook

As we continue into the next financial year, there will be challenges ahead. Whilst we have a strong customer base we face changing markets and project completions and therefore we continue to be proactive in meeting our customer's needs, both in terms of developing new products to supporting the existing services.

Simon Beresford-Wylie
Chief Executive Officer
September 2019

Business overview

The UK's leading independent telecom sites operator and sole UK terrestrial broadcast tower network.

Arqiva is one of the UK's leading communications infrastructure and media service providers, with a strong market position, diverse revenue streams and long-life assets.

The Group is an independent provider of telecom towers, with circa 8,000 active licensed macro cellular sites, and the only national provider of terrestrial television and radio broadcasting. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve. Arqiva is independent and reliable.

Arqiva earns network access and transmission service revenues from its customers, as well as fees for engineering services and new projects. Arqiva's services tend to be mission-critical for its customers, as well as providing the network coverage necessary for the fulfilment of the universal service obligations ('USOs') for Terrestrial Broadcast and Telecoms customers set out in their operating licences from the UK government.

In addition, the Group completes various engineering projects for customers such as technological upgrades, installations and coverage or compression upgrades.

Whilst we have a small overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region; therefore, while the nature of Britain's exit from the European Union is still uncertain, we have minimal exposure to international markets and foreign exchange.

The Group has invested significant sums into its infrastructure and has £1.7bn of property, plant and equipment at 30 June 2019. Arqiva is financed through a mixture of equity and long-term debt, with an average debt maturity profile of over 5 years. The Group's senior debt has an investment grade (BBB) rating from Standard and Poor's and Fitch and junior debt a B-/B2 rating from Fitch and Moody's.

Attractive UK communications infrastructure market

- DTT is the most popular TV platform in the UK covering 98.5 % of the population; and
- Continued data traffic growth and proliferation of mobile devices driving coverage and capacity requirements and demand for telecoms towers and small cells;

A market leader

The following key competitive positions make Arqiva the market leader:

- The largest independent provider of telecom towers with c.8,000 active licensed macro cellular sites;
- Sole provider of terrestrial television network access (Freeview);
- Owner of 2 of the 3 main national commercial multiplexes; and
- Pre-eminent role in radio broadcasting both locally and nationally.

High barriers to entry

Arqiva owns critical national UK infrastructure that enables MNOs and PSBs[1] to meet their government mandated universal coverage obligations.

The Group's unique site locations and national footprint play a crucial role in supporting these coverage obligations; including our increased exclusive access to municipal street furniture across 14 London Boroughs.

Significant investment would be required to replicate the infrastructure, including UK planning permissions to erect new masts. Arqiva also has long established relationships with its customers spanning more than 80 years.

1 Refers to Public Service Broadcasters ('PSBs')

A pioneer in an always on, always connected world.

Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936 it carried the BBC's first television broadcast. In 1978 it enabled Europe's first satellite TV test. By the 1990s Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. In the 2000s, it launched the UK's national DAB radio and digital terrestrial television network. Most recently, Arqiva has played a pioneering role in the roll-out of the national smart energy metering network, has supported the continued roll-out of 4G data coverage, and is actively planning for the future of 5G.

The Group's technology and infrastructure, combined with its history and experience, enable it to work with everyone from MNOs (such as BT-EE, Vodafone, O2 and Three) to independent radio groups to major broadcasters (such as the BBC, ITV, Sky, Turner and CANAL+) and to utility companies such as Thames Water and to the Data Communications Company (DCC).

Given the exponential growth of connected devices from smartphones and tablets to connected TVs and development of the smart meters network, there is an ever-increasing demand for data communication. It is essential that businesses and consumers have access to seamless, uninterrupted communications and broadcast quality content anywhere and at any time.

Every day Arqiva's infrastructure and technology enable millions of people and machines to connect wherever they are through television, radio, mobile phones or through machine-to-machine activities. Arqiva's television and radio services reach some of the most isolated individuals and communities in the UK, helping to bridge the digital divide. Arqiva strives continually to find ingenious new ways to support its customers.

Investing to ensure the UK has the communications infrastructure it needs to thrive in an increasingly connected world.

Business model and business units

Arqiva owns and operates a portfolio of cellular sites, TV and radio transmission sites supporting broadcast and communications across the UK.

Arqiva seeks to maximise shareholder value by investing in its considerable site portfolio to not just maintain its reliability, but also to maximise its potential. Accordingly Arqiva has a wide range of service capabilities including:

- Broadcast transmission from its towers;
- Telecommunications from active licensed macro sites;
- DTT, radio and satellite multiplexes;
- Machine-to-machine network connectivity supporting smart networks;
- Satellite transmission;
- Small cells services; and
- Fibre cable connections.

For the year ended 30 June 2019, our business is aligned into the following customer-facing business units, supported by the Group's corporate functions:

Terrestrial Broadcast

Terrestrial Broadcast owns the infrastructure and sites for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, and delivers related engineering projects. The business unit holds a regulated position as the sole provider of network access for terrestrial television broadcasting. The Group is currently earning revenue on delivery of the programme to clear the 700MHz frequency range of television signals, so that it can be used for mobile data.

Within the Terrestrial Broadcast division, the Group utilises its network of circa 1,150 TV sites to carry Freeview into circa 24 million households every day, making it the UK's most popular TV platform. Arqiva's network is of significant national strategic importance providing coverage to 99% of the UK's population.

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as UKTV, Sky, CBS and Turner to deliver broadcasting content using our channel capacity. Arqiva also owns both HD-enabled DTT multiplex licences that provide services to Freeview and other DTT-related platforms including Youview. In addition, the business unit operates more than 1,500 transmission sites for radio, providing coverage to circa 90% of the UK population. Arqiva is a shareholder in and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex. Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.3bn which includes major contracts running as far as 2035.

Telecoms & M2M

Telecoms & M2M controls a large portfolio of active licensed macro sites and generates revenues from site share arrangements as well as installation services for the roll-out of 4G data capabilities and other site and equipment upgrades. This business unit also generates revenues with respect to the build and operation of the smart 'machine-to-machine' networks and other data transmission services including small cells, and other M2M applications.

The Telecoms & M2M division is the UK's largest independent provider of wireless towers, with circa 8,000 active licensed macro cellular sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing agreements, from which Arqiva earns site share revenues and delivers equipment upgrades for the roll-out of new technologies. These towers are central to achievement of Mobile Network Operators' contractual obligations and requirements to provide up to 98% 4G coverage.

Arqiva has access to municipal street furniture sites for the provision of Small Cells and commercial wireless networks across 14 London Boroughs.

Although installation services from 4G are declining in line with achievement of roll-out, the core telecoms towers business and M2M network continue to be key areas for the Group, with an order book of £1.0bn for the business unit with some contracts running as far as 2024.

With a focus on innovation, Arqiva continues to embrace the fast developing M2M sector for which Arqiva utilises its Flexnet network across our smart metering contracts with utility and water companies. The Group has invested in building M2M networks, which are now supporting a major energy metering contract spanning 15 years and covering more than 9 million premises, and a water metering contract which will cover 3 million homes in an initial phase of 6 years, with likely extension for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which now result in recurring cash flows during the long-term operational phases of the networks.

Satellite and Media

Satellite and Media owns and operates teleports at key locations in the UK, as well as an international terrestrial fibre distribution network, media facilities and leased satellite capacity. These enable the business to provide customers with a comprehensive range of services to deliver their data content, broadcasts and media services internationally.

The Satellite and Media division is the UK's leading independent owner and operator of teleports and media management facilities serving many of the world's largest multi-channel broadcasters and sports-rights organisations, as well as providing data connectivity to the utilities and natural resources sectors.

Arqiva manages the distribution of more than 1,100 international TV channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner, including coverage of high-profile sporting events. Arqiva's operation of reliable and secure VSAT[1] communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite and Media business. Arqiva's global satellite network delivers content to the world's major DTH platforms including Sky and Freesat as well as the increasingly popular IPTV, mobile and web TV platforms. Satellite and Media has an order book of £0.2bn which is comprised of short-to-medium term contracts extending out to 2026.

During the year, Arqiva announced that following a review of its Satellite and Media portfolio it will run down its occasional use operations during 2019 and 2020 and its playout operations will also cease.

Corporate

Corporate functions comprise Finance, Legal & Regulatory, Information Technology and Networks and People & Organisation.

See also
Strategic Overview:
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1 Refers to 'Very Small Aperture Terminal' ('VSAT')

Business model and business units

Change in Business Units

During the year, management conducted a review of the operating model of the business and identified benefits from the consolidation of the Terrestrial Broadcast and Satellite & Media business units. Effective from 1 July 2019 these two business units were merged in to a single customer facing business unit, to be known as Media Networks. The Networks team, previously within the Corporate business unit will also move in to the Media Networks business.

This alignment will bring together our capabilities and skills across Terrestrial Broadcast, Satellite and Media and Networks to face in to the broadcast sector, enabling us to serve our customers seamlessly irrespective of which distribution platform the customer is using. The new business unit will provide terrestrial and satellite networks to leading content owners and network providers utilising our broadcast and IP knowledge and satellite skills and allow us to respond better to the growing demand for 'hybrid' offerings based on virtualised platforms and IP networks. This change has also allowed us to rationalise teams where duplication existed, whilst aligning the priorities of the networks team with our customer plans particularly as the skills and expertise of the networks team become ever more important as customers explore the opportunities that internet delivered services offer.

The following diagram demonstrates how our new operating model has changed:

Terrestrial Broadcast
2018 727 people
2019 734 people

Satellite and Media
2018 376 people
2019 350 people

Media Networks

To include ownership and operation of the Group's national digital terrestrial TV multiplexes and DVB-T2 multiplexes and media content delivery.

2020* 1,166 people

Telecoms & M2M

Control of macro sites and networks for telecommunications, machine-to-machine and other data transmission.

2018 480 people,
2019 428 people,
2020* 428 people

Supported by:

Central Functions
2018 505 people
2019 500 people
2020* 418 people

*Represents the number of people aligned to each business unit effective from 1July 2019

→ Re-alignment of employees


arqiva

Strategic overview

Vision

Arqiva's vision is to be central to every vital connection that people in the UK make, every day.

Arqiva's core values guide how people work together ensuring we go the extra mile to help our customers reach their customers and audiences:

- Looking for **ingenious** and smarter ways to support our customers; embracing change and fresh thinking to find solutions that add real value;
- Working with each other and customers in a **straightforward** way to ensure that Arqiva is always efficient, effective and understood, keeping things simple and clear and acting with integrity; and
- Bringing expertise and passion to **collaborative** working to provide a cohesive service to customers.

Strategy

Arqiva's strategy is to reinforce its position as the leading UK communications infrastructure company, whilst supporting the development of a vibrant digital economy.

The Group's strategy is summarised by the following **strategic priorities:**

1. **Grow a financially successful business**, leveraging existing infrastructure assets and customer relationships with selective investment to maximise value by securing long-term scalable growth opportunities.
2. **Simplify and standardise our technology, platforms and processes** to optimise costs, improve efficiency and drive superior returns.
3. **Help Arqiva's customers prosper and succeed** by delivering superior services in the most cost-efficient way.
4. **Be a great place to work by continuing to invest in our people**, building the Group's knowledge and growing its expertise, led by a dynamic senior management team with a clear vision and proven track record.

Key steps in the execution of Arqiva's strategy include:

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch up services available as well as serving the needs of a pay-lite audience base;
- Expanding channel choice, thereby supporting DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz Clearance programme to meet the target completion date in 2021;
- Continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Helping broadcasters and rightsholders to navigate the trends underlying the video market. These trends include 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility – over satellite, IP/Fibre and internet for content aggregation, processing and delivery;
- Growing the Satellite data communications business in UK utilities and international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNOs;
- Developing a 'lean towerco' operating model making greater use of automation and outsourcing arrangements;
- Preparing to be a leading partner within the 5G ecosystem via our portfolio of high-quality towers, rooftops, street furniture concessions and small cells combined with an industry leading planning & delivery capability;
- Growing the value of the M2M business within the utilities sector through the provision of smart metering, monitoring and control products that operate from a scalable platform;
- Consolidation of the broadcast business areas to provide a more streamlined and efficient service to our customers;
- Investing in new technologies through our transformation programme to ensure our infrastructure is underpinned by operational excellence and an efficient cost base;
- Maintaining the robustness of Arqiva's capital structure, with a long term debt platform which has an average debt maturity of over 5 years, and an investment grade credit rating over our senior debt;
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a great place to work.

2019 Progress

Grow a financially successful business

- 2019 has continued an upward trend in financial performance with revenue and EBITDA both up.
- Net operating cash generation.

Simplify and standardise our technology, platforms and processes

- Operating costs reduced, owing to cost saving initiatives.
- Transformation programme progressing with reviews of IT systems and infrastructure.

Help Arqiva's customers prosper and succeed

- Big successes in service reliability with instances of over 1,500 days without avoidable outage.
- Strong programme delivery across the portfolio including the 700MHz Clearance programme.

Be a great place to work by continuing to invest in our people

- Holders of Investors in People Gold award.
- New approach to diversity and inclusion with training provided to line managers.
- Mental health first aiders trained across the business.

Business update

The Group's contracted order book value at 30 June 2019 was £4.5bn (2018: £5.0bn). In the year the Group won circa £470m of new contracts. A significant proportion of the value of this orderbook relates to medium to long-term contracts which includes DTT and radio transmission, site sharing and smart metering, as well as satellite and other infrastructure services. The Group remains focused on growth opportunities in targeted, core infrastructure areas.

Media Networks (formerly Terrestrial Broadcast and Satellite and Media)

Consolidation of Terrestrial Broadcast and Satellite and Media

On 1 July 2019, the Group combined the former Terrestrial Broadcast and Satellite and Media Business units, as well as the corporate network teams into a newly merged business unit, Media Networks. This was part of a strategy to ensure high levels of service quality for our customers, enabling us to serve customers seamlessly and irrespective of which distribution platform the customer is using. This has enabled us to rationalise teams where duplication existed, whilst aligning the priorities of the networks team with our customers' plans. We expect the skills and expertise of the networks team to become ever more important as customers explore the opportunities that internet delivered services offer.

New multi-year agreement with UK Power Networks

In May 2019, Arqiva announced that it had been selected by Britain's biggest electricity distributor, UK Power Networks, to provide a new state-of-the-art Broadband Global Area Network (BGAN) solution for their secondary Supervisory Control and Data Acquisition (SCADA) network. The solution will enable UK Power Networks' engineers to operate equipment remotely to restore customers' power supplies quickly in the event of a power cut and also to monitor and receive regular status updates from the field. With expertise in cyber security and extensive knowledge of communication networks for critical national infrastructure companies, Arqiva's technical team designed a solution that meets UK Power Networks' needs to monitor and control the distribution power network robustly.

700 MHz Clearance and DTT spectrum

The 700 MHz Clearance project remains on track. The scope of the project is to clear the 700MHz spectrum band (694 MHz to 790 MHz) of DTT use, so that it can be auctioned by Ofcom and used for mobile data. The overall programme is expected to complete by late 2021 and the Group continues to earn revenues and cash flows as delivery milestones are successfully completed. At 30 June 2019, 66% of Clearance events had been successfully completed including the conclusion of Clearance events in Wales. Over 350 relay antennas have been completed out of 415 across the whole country.

Digital Platforms channel utilisation

As at 30 June 2019, the Group had capacity of 32 video streams on its main (DVB-T) multiplexes. In the short term, we expect that utilisation may reduce as a small number of customers review their channel portfolios. The Group continues actively reviewing all opportunities and remains confident in optimising the medium- and long-term value of its DTT multiplexes. Contracts in this business area are still typically 3-6years in duration.

Digital radio (DAB)

Since the start of this year, the Sound Digital multiplex (a Joint Venture with Bauer and Wireless Group) has operated at 100% utilisation following the launch of two Virgin Radio stations. Arqiva's Digital One national multiplex also remains fully utilised. We continue to market capacity on the 23 local multiplex licences which the Group owns and occupancy has increased year on year.

At the UK Radio Festival in May 2019, the Minister for Digital and Creative Industries confirmed the start of the government's review of radio and its transition to digital platforms. The government has consulted with Arqiva and other stakeholders about the review's structure and key inputs. Government said she aims to conclude the review by "the middle of next year".

Reduced focus on Playout and closure of Occasional Use

Our plans to reduce focus on Playout and traditional Occasional Use satellite distribution and uplinking are progressing well. We continue to support our Playout customers in the interim period as we run down our activities in this area and expect to exit the business by the end of calendar year 2020. Our traditional Occasional Use satellite distribution business closed, as planned, at the end of June 2019. These relatively subscale areas provided minimal contribution to the Group's overall earnings and cashflow. We successfully completed our repositioning to focus on providing managed services for live events focusing on the growth areas of content acquisition, contribution and IP and fibre delivery.

Telecoms & M2M developments

Small cells and pilot network

Whilst the UK small cells market remains in its early stages, demand continues to grow. Arqiva has hundreds of small cells deployed and operational across London and three out of the four UK mobile network operators (MNOs) have deployed small cells on Arqiva managed street assets. The service is equally suitable for 5G as it is for 4G.

The Group continues to progress plans for a 5G small cells pilot trial (the UK's largest) in the London Borough of Hammersmith & Fulham, which will also involve the creation of a 15km high density fibre network. Live services will run from the second half of the 2019 calendar year.

4G roll-out

The Group is approaching the completion of 4G roll-out. 8,694 4G equipment upgrades were completed across Arqiva sites as at 30 June 2019 since roll-out began in 2014.

Major customer contract

We have a major MNO customer contract maturing in late 2019. Negotiations to define our commercial relationship past this date, are ongoing.

Smart energy metering rollout

The Group's smart metering communication network in the North of England and Scotland has been live since November 2016.

The Arqiva network currently covers 99.25% of premises and is expected to reach final coverage of 99.5% by summer 2020. DCC continue to submit change requests that reflect new industry requirements planned to be delivered in November 2019 and June 2020. The Group expects change requests to continue into the new financial year, but at a reduced volume reflecting the advanced stage of the build out of this network.

The Group continues to support the preparations of the DCC and their users ahead of the mass roll-out of SMETS2 meters which is expected during late 2019 when the latest models of compliant Smart Meters become available to Energy Suppliers.

Smart water metering rollout – Thames Water

Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 30 June 2019, there were over 407,000 meters installed and with over 8 million meter readings being delivered per day it is the largest smart water metering network in the UK. The network comprised 98 sites out of the 106 required for full network coverage across the entire Thames Water London region with completion expected during summer 2019.

Smart water metering trial contracts – Anglian Water

Since June 2016, Arqiva has been operating smart water metering trials for Anglian Water in two of their regions. These trials are part of Anglian Water's strategy for a long-term smart metering programme and the delivery of our service has enabled Anglian to realise the significant benefits of improved leakage detection, and consumer engagement, whilst also informing their business plans. As at 30 June 2019, over 17,500 meters were operational under these trials and Anglian Water has seen 358,000 litres per day less customer leakage. Consequently, Anglian has announced a procurement tender process for a full smart network across their supply area, pivotal for the delivery of their next five-year business plan.

Other business developments

Transformation update

The Group's company-wide transformation programme, 'FutureFit' is progressing strongly as it moves into its next phase of delivery. Through this transformation programme, Arqiva continues to streamline and standardise its processes, rationalise and modernise IT systems, achieve significant efficiencies and improve customer service.

We continue to invest in new technologies to secure our infrastructure further and improve our ways of working with the deployment of an enhanced digital workplace. We have completed a full migration to a mobile enabled workforce and continue to enhance our collaboration tools and capabilities with the deployment of new applications to all laptops and smartphones. We expect to make further investment as planning is well underway for the complete overhaul of our Service, Asset Management, Network Management and ERP systems. This will transform our core operational delivery model across the full range of our products and services.

CFO change

Prior to joining Arqiva, Sean held senior corporate finance and treasury positions at the Intermediate Capital Group (ICG) and LandSec and brings a wealth of experience across a range of industries and financial markets.

Financial review

Headline financials

Revenue	Operating profit	EBITDA
↑ 2.7% to **£990.4m**	↓ 1.5% to **£322.3m**	↑ 1.5% to **£527.3m**

Loss before tax	Operating cash flow	Operating cash flow after capital and financial investment activities
£(67.3)m loss includes non-cash charges (net) of £365.7m (2018: £235.6m) – see page 23	↓ 14.9% to **£486.7m**	↓ 10.1% to **£371.4m**

Financial performance

For the year ended 30 June 2019, revenue for the Group was £990.4m, an increase of 2.7% from £964.2m in the prior year. Revenue includes £0.6m (prior year £1.6m) from the Group's former Inbuilding Solutions business disposed of during the year. Excluding the effect on financial performance of this disposal, organic revenue growth from the continuing business was 2.8%. The trend of reported revenue growth has continued. Over the 3 years to June 2019 compound annual revenue growth was 3.8%.

Revenue by operating segment	30 June 2019 £m	30 June 2018[1] £m	Variance %
Terrestrial Broadcast	491.3	489.4	0.4
Telecoms & M2M	375.9	341.3	10.1
Satellite and Media	123.2	133.5	(7.7)
Total	990.4	964.2	2.7

Terrestrial Broadcast revenues increased by 0.4% from £489.4m to £491.3m year on year. Revenue on contracts has increased through the year, resulting from increased DAB activity as well as RPI linked increases on broadcast contracts. These increases have been partially offset by a reduction in other engineering projects due to phasing of projects. The 700MHz Clearance programme has maintained revenue compared to the prior year with high levels of activity in both 2018 and 2019, with the programme at its peak and 613 sites now completed. As the programme progresses, activity is expected to reduce on this programme in the next financial year. Revenues also include £2.5m for the Group's Connected Solutions, reported within the Satellite and Media business unit in previous years.

Telecoms & M2M revenues increased by 10.1% from £341.3m to £375.9m year on year. Excluding the effect of the Group's Inbuilding Solutions business disposed in the year which contributed £1.6m to revenue in 2018 and £0.6m in 2019, the Telecoms & M2M business experienced revenue growth of 9.5%. Installation Services revenue, generated from assisting MNOs in meeting coverage requirements, has decreased in the year with annual revenue of £27.9m in 2019 (2018: £51.6m). This is as a result of lower levels of activity in this area in line with expectations as the 4G roll-out reaches completion and is expected to continue at further reduced volumes in to the next financial year. This reduction has been replaced with growth from the Group's

1 Figures for 30 June 2018 throughout this report have been restated in the year for the impact of adoption of the new accounting standard IFRS 15 Revenue from contracts with customers. IFRS 15 was adopted with a transition date of 1 July 2017. See note 13-14 of the financial statements for a full explanation of the effect of changes in accounting policy in the year.

core telecoms towers business driven by increased site numbers under the Group's control and associated activities. Revenue from the M2M business has also continued to increase through the delivery phase of the programme and due to incremental change request activity agreed in the year with the installation of the network now near completion. Moving forward the focus will be on the delivery of the devices for the energy industry which will then be able to communicate via the network.

Satellite and Media continues to operate in a competitive market with revenue reductions in 2019 of 7.7% from £133.5m to £123.2m year on year. Revenues were impacted largely due to the strategic decision to exit a low margin managed service contract, reduced focus on Playout and Occasional Use products (from which the Group expects to be fully exited from over the next couple of years), as well as the transfer of the reporting of revenues from the Connected Solutions into Terrestrial Broadcast (£2.5m). The business was also impacted by some non-renewals of contracts, capacity reductions and pricing pressures, however overall contract renewal rates remain robust for the remainder of the core business. The decreases were, however, partially offset by the rollout of new HD channels within the UK DTH business.

Gross profit was £643.8m, representing a 0.4% increase from £641.2m in the prior year. Gross profit from the continuing business[1] increased by 0.5% year. The change in margin was as a result of changes in product mix with revenue growth partially offset by increased programme costs.

Other operating expenses before exceptional items were £116.6m, down 4.3% from £121.8m in the prior year. The decrease is due to savings realised through our FutureFit efficiency programme and one-off consultancy costs incurred in the prior year not repeated. The FutureFit programme continues to progress with high levels of transformation activity expected in future financial years centred on our approach to simplify and standardise our technology, platforms and processes.

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. A reconciliation of EBITDA to operating profit is provided on page 23.

EBITDA for the Group was £527.3m, representing a 1.5% increase from £519.3m in the prior year, explained by the increase in revenues resulting from strong programme delivery, and operating cost savings partially offset by lower gross margins due to changes in sales mix. This performance reflects another year of EBITDA growth benefitting from peak levels of project activity with an annualised growth rate over the past 4 years of 7.1%.

EBITDA by operating segment	30 June 2019 £m	30 June 2018 £m	Variance %
Terrestrial Broadcast	363.4	362.6	0.2
Telecoms & M2M	189.0	178.1	6.1
Satellite and Media	30.1	33.8	(10.9)
Other[2]	(55.2)	(55.2)	-
Total	527.3	519.3	1.5

EBITDA for the Group's Terrestrial Broadcast business was £363.4m, representing a 0.2% increase from £362.6m in the prior year. The growth was mainly due to increased DAB and Digital Platforms activity as well as 700MHz Clearance programme with activity on the programme at its peak during the year.

EBITDA for the Group's Telecoms & M2M business was £189.0m, a 6.1% increase from £178.1m in the prior year. This increase has been driven by changes in sales mix with reductions in Installation Services more than offset by increases in site share as well as increases in incremental change requests relating to the smart metering contracts.

EBITDA for the Satellite and Media business was £30.1m which was a 10.9% decrease from £33.8m in the prior year. The decrease reflects the challenges of the market with the revenue reductions described above and rationalisation of services.

Other EBITDA has been maintained versus the prior year reflecting continued focus on cost management

Depreciation (2019: £184.1m; 2018: £166.3m) and amortisation (2019: £15.8m; 2018: £16.7m) were collectively 9.2% higher year on year. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with smart metering contracts and the 700 MHz Clearance programme) and the accelerated depreciation and

1 Excluding the financial effect of the disposed non-core business areas outlined above – 2019 gross margin: £0.1m; 2018 gross margin: £0.8m.

2 Other refers to the Group's corporate business unit. See page 14 for a description of the Group's business units and the activities involved.

Financial review

amortisation on certain assets (particularly asset replacements connected with the 700MHz Clearance programme and non-core business areas in connection with the Groups operating review).

Exceptional items charged to operating profit were £12.5m, up from £9.5m in 2018. These costs relate predominantly to reorganisation costs as the Group executes its FutureFit operational efficiency programme and reorganisations as the Group focuses on its core business model. The increase has been partially offset by a £2.0m profit (2018: £nil) on disposal of non-core assets (and the associated contracts) in relation to the Group's InBuilding solutions business.

Operating profit for the year was £322.3m, a decrease of 1.5% from £327.3m in the prior year. Whilst EBITDA generated increased, this has been offset by increased depreciation, amortisation and exceptional charges.

A reconciliation between operating profit and EBITDA is presented below:

Reconciliation between operating profit and EBITDA	30 June 2019 £m	30 June 2018 £m
Operating profit	322.3	327.3
Exceptional items charged to operating profit	12.5	9.5
Depreciation	184.1	166.3
Amortisation	15.8	16.7
Impairment	-	4.4
Share of results of associates and joint ventures	-	(0.2)
Other income	(7.5)	(4.6)
Other[1]	0.1	(0.1)
EBITDA	527.3	519.3

Finance costs (net of finance income) were £352.5m, a decrease of 3.4% from £365.0m in the prior year. The decrease was primarily due to decreases in bank and other loan interest following the refinancing in September 2018 and repayments of debt principal that have been made during the year partially offset by the compounding effect of interest on outstanding amounts owed to group undertakings.

The Group reported £37.1m losses within other gains and losses in the year (2018: £92.4m gains). This principally arises from negative fair value movements (loss of £13.7m: 2018: gains of £90.3m)) recognised in respect of derivative contracts, which are not hedge accounted, attributable to changes in market yields and credit spreads. A £9.1m loss (2018; £2.0 gain) was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however, the cross- currency swaps provide an economic hedge to the Group's US$ denominated debt. Also included within other gains and losses is a loss incurred in the year of £14.3m (2018: £nil) in relation to premium paid on the early refinancing of the Group's junior bonds in September 2018.

Loss before tax was £67.3m, increase from a profit of £54.7m in the prior year. The loss before tax is reported after non-cash charges of £365.7m (2018: £235.6m) as shown below:

Reconciliation between (loss)/profit before tax and adjusted profit before tax and no-cash charges/(gains)	30 June 2019 £m	30 June 2018 £m
Loss before tax	**(67.3)**	**54.7**
Depreciation	184.1	166.3
Amortisation	15.8	16.7
Impairment	-	4.4
Share of results of associates and joint ventures	-	(0.2)
Interest payable to other group entities	112.9	102.6
Other non-cash financing costs [2]	30.1	38.2
Foreign exchange revaluations on financing	9.1	(2.0)
Fair value movements on derivative financial instruments	13.7	(90.3)
Exceptional profit on disposal of joint venture	-	(0.1)
Total non-cash charges	**365.7**	**235.6**
Adjusted profit before tax and non-cash charges	298.4	290.3

1 includes add-backs for certain profit or loss on disposal of other intangibles and property plant and equipment and including deductions for non-interest related finance costs, principally bank charges, that are not considered relevant in understanding the underlying performance of the business.

2 Includes amortisation of debt issue costs, unwinding of discount on provisions and imputed interest

Net cash inflow from operating activities was £486.7m, representing a decrease of 14.9% from £572.1m in the prior year. This decrease is owing to a working capital outflow driven by the utilisation of cash received in advance during prior years (decreasing contract liabilities) and timing of payments, typical with historical trends of the business. In the prior year the operating cash inflow was higher due to working capital inflows arising from one off additional contract liabilities recognised from Telecoms & M2M and Terrestrial Broadcast customers.

Net capital expenditure and financial investment was £115.3m, representing a decrease of 27.4% from the prior year. The net financial investment of the Group includes consideration received in respect of the assets and contracts of the Group's Inbuilding business.

Operating cash flow after capital and financial investment activities[1] was £371.4m, a decrease of 10.1% from £413.1m in the prior year. The overall decrease in the year is principally owing to changes in working capital versus the prior year partially offset by decreased expenditure on significant capital projects such as the 700MHz Clearance programme as it progresses.

Total cash flow for the year was a £23.9m outflow (2018: £3.2m inflow). The decrease is predominantly due to the decrease in cash inflows from operating activities explained above. This has been partially offset by reductions in cash outflows on financing activities due to lower capital expenditure and financing activities due to lower net debt repayments and interest paid.

Reconciliation between net cash inflow from operating activities and operating cash inflow after capital and financial investment activities	30 June 2019 £m	30 June 2018 £m
Net cash inflow from operating activities	**486.7**	**572.1**
Purchase of tangible and intangible assets	(122.8)	(165.1)
Sale of tangible assets	7.5	0.3
Disposal of investment	-	5.2
Loans to joint ventures	-	0.6
Net capital expenditure and financial investment	**(115.3)**	**(159.0)**
Operating cash flow after capital and financial investment activities	371.4	413.1

Financial position

Net liabilities were £1,579.5m, representing an increase of 4.2% from £1,515.8m in the prior year. The net liability position is primarily driven by the capital structure reflecting the borrowings and derivative financial instruments held. Our assessment of going concern is set out on page 26.

1 Net cash inflow from operating activities after net capital expenditure and financial investment, and net proceeds/costs on the disposal/acquisition of subsidiary undertakings and other related investments

Financial review

Financing

The Group established its Whole Business Securitisation ('WBS') structure in February 2013, and since then it has continued to refinance elements of its debt structure further extending its maturity profile. The Group continues to hold significant levels of financing incurring costs thereon.

Standard and Poors and Fitch reconfirmed their rating of Arqiva's senior debt at BBB, and Fitch and Moody's confirmed the junior debt rating at B-/B2.

At 30 June 2019 the Group's debt finance[1] comprised:

	Falling due				
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Total £m
Facilities drawn	35.0	-	-	-	35.0
Finance lease obligations	0.8	1.6	1.8	8.2	12.4
Senior term debt	20.0	-	370.0	-	390.0
Senior bonds and notes	443.4	117.9	406.9	834.0	1,802.2
Junior bonds	-	-	625.0	-	625.0
Intragroup loans	-	-	-	45.2	45.2
Total	499.2	119.5	1,403.7	887.4	2,909.8

Included within the above is £1,894.8m of fixed rate debt and £1,015.0m of floating rate debt of which £272.4m is US$ denominated. The Group holds interest rate swaps (including inflation-linked interest rate swaps) and cross-currency swaps to hedge its interest rate and foreign currency exposures. This hedging strategy is employed to ensure the certainty of future interest cash flows.

In September 2018, the Group refinanced its £600m bonds, due in 2020, raising £625m of new bonds which mature in 2023. These notes have a coupon of 6.75%. The Group incurred a fee of £14m on the early repayment of the refinanced bonds and £8m of fees and expenses associated with the issue of the new notes.

Covenants

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements at the senior financing level:

Senior debt level financial covenant ratios	30 June 2019	30 June 2018
Maximum allowed ratio of net debt to EBITDA	7.50	7.50
Actual ratio of net debt to EBITDA	4.11	4.42
Minimum allowed ratio of cash flow[2] to interest	1.55	1.55
Actual ratio of cash flow to interest	2.92	2.78

1 Excluding unamortised debt issue costs

2 'Cash flow' as defined under the Group's financing common terms agreement, i.e. this is not a GAAP measure.

Liquidity

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions, which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Drawings on facilities at 30 June 2019	Total Facility £m	Drawn £m	Available £m
Working capital facility	140.0	35.0	105.0
Capital expenditure facility	250.0	-	250.0
Liquidity facility	250.0	-	250.0
Total	640.0	35.0	605.0

Going concern

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments both in terms of capital programmes and financing. For this reason, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

Key performance indicators

The Group uses a combination of financial and non-financial key performance indicators ('KPIs') to measure progress against its strategic priorities.

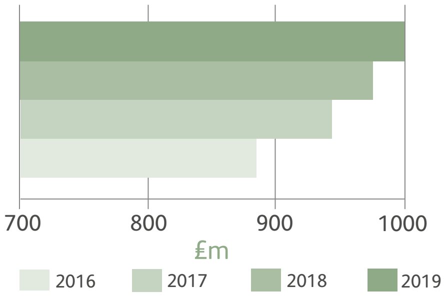
The Group's strategic priorities centre around:

- Growing a financially successful business (financial success);
- Simplification and standardisation of our approach to efficiency (driving increasing returns);
- Helping our customers prosper and succeed (our customers); and
- Being a great place to work (our people).

See page 17 for further details on our strategic priorities

Financial success and driving increasing returns…

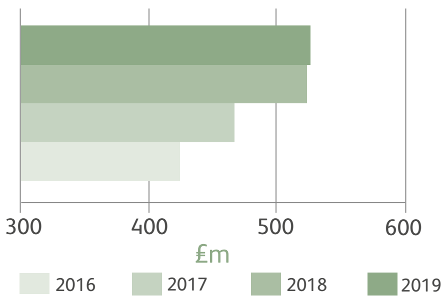
Revenue



Definition – Revenue is presented as per the financial statements, and in accordance with IFRS 15.

Result – Revenue has increased 2.7% from the prior year (2019: £990.4; 2018: £964.2m) and 3.8% on an annualised basis over the past four years. The primary drivers of this continued growth were increased activity on the Group's smart energy metering contracts through the delivery phase due to incremental change requests agreed , with the installation of the network now near completion and core telecoms towers business, benefitting from greater site numbers and/or greater capacity utilisation. 700MHz Clearance has also reached its peak activity during 2018 and 2019 with activity expected to reduce in to the next financial year..

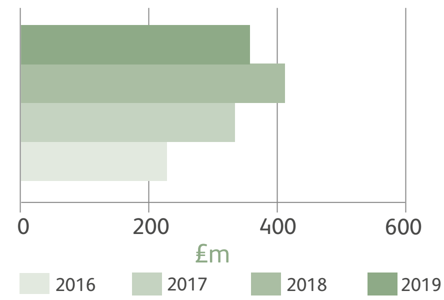
EBITDA



Definition – EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. See page 23 for its reconciliation to operating profit.

Result – EBITDA grew 1.5% from the prior year (2019: £527.3m; 2018: £519.3m) and demonstrates consecutive growth over the past four years with 7.1% on an annualised basis. The growth in the year was not as high as the growth in revenue due to shifts in sales mix and phasing of work on the Group's significant contracts.

Operating cash flow after capital and financial investment



Definition – Operating cash flow after capital investment activities represents the cash generated after the spending required to maintain or expand its asset base. This is calculated as the net cash flow from operations minus the net cash flow from capital expenditure and financial investment. See page 24 for its reconciliation to net cash flow from operations.

Result – The cash generated was £371.4m, down 10.1% from the prior year. The decrease was driven by working capital outflows as a result of utilisation of contract liabilities deferred income, partially offset by lower capital expenditure due to phasing of programmes. Annualised growth over the past four years remains positive at 19.1%.

Our customers…

Delivery on our customer promises
The Group has continued to meet its contractual milestones and continues to engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, where Release 2.0 went live in November 2018. Various improvements in the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub and network coverage has now reached c. 99 % in line with requirements;
- 700MHz Clearance. As of 30 June 2019, 60 out of 104 Main Station Clearance events and 553 out of 908 Relay Clearance events have been completed. The programme remains on track to clear the 700MHz frequency in 2021.

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2019	99.99 %	99.99 %
2018	99.99 %	99.99 %
2017	99.99 %	99.99 %
2016	99.99 %	99.99 %
2015	99.99 %	99.99 %

Definition – Arqiva strives to provide consistently high service levels and look to manage and monitor the total annual level of network availability across both TV and radio infrastructure as a percentage across all multiplexes.

Result – Through careful management Arqiva has consistently been able to achieve excellent levels of network availability.

Our people…

	Investors in people award
2018	Gold
2017	Silver
2016	Gold
2015	Gold
2014	Gold

Definition – The Group takes part in the 'Investors in People' accreditation for which more than 16,000 UK businesses take part. Since our last assessment the award criteria have undergone a significant overhaul to include new, even more rigorous criteria.

Result - Arqiva holds an Investors in People Gold Award. This is the highest level of Investors in People Recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. It reflects the commitment to our values, clear focus on individual and team objectives aligned with business goals, focus on systems and process improvements.

Spotlight: Terrestrial Broadcast

c.1150
TV transmission sites

c.800[1]
radio transmission sites

4
DTT multiplex licences

Services delivered

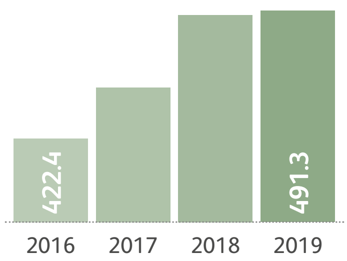
The Terrestrial Broadcast business unit provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90% of the UK's radio transmission, including ownership interests in the two commercial national digital radio multiplexes. Included within this business unit is the Group's DTT multiplex business, which owns and operates two of the three main national commercial digital terrestrial TV multiplexes, plus two DVB-T2 multiplexes (capable of providing additional services including HD content).

The Group's radio and TV broadcast operations (network access and managed transmission) are regulated by Ofcom on behalf of the wholesale broadcast customers. None of the Group's other business units are regulated.

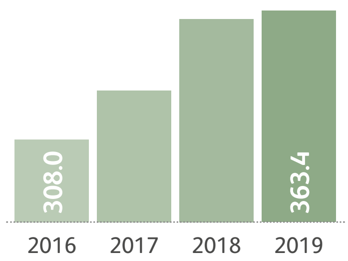
Our customers include...

Business snapshot

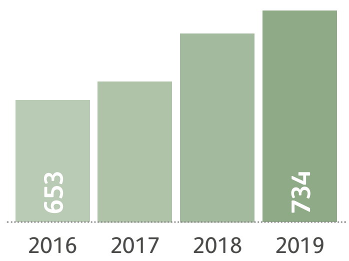
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Terrestrial Broadcast as a result of:

- Increased DAB activity;
- High channel utilisation in digital platforms;
- RPI-linked increases on broadcast service contracts; and
- Peak activity on the 700MHz Clearance programme

1 Total number of broadcast sites are circa 1,500, some of which overlap to broadcast both TV and radio signals.

Spotlight: Satellite and Media

80 earth stations accessing >40 satellites

5 teleports

We deliver via satellite to 5 continents 24/7

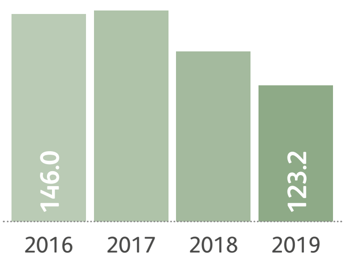
Services delivered

The Satellite and Media business unit provides a range of services to transmit content around the globe. It holds five award winning teleports which represent a significant barrier to entry in the market. Arqiva provides customers with up-linking and down-linking services to offer a satellite and fibre distribution network to distribute customers' data and programming, including c.50% of all channels on the Sky platform. Its media management services include watermarking and advert placement, and connected TV services (including video on demand, streaming, metadata management and other over-the-top services). Additionally, it can offer secure and reliable satellite data communications to remote and hostile locations. These customisable end-to-end solutions are currently provided to energy and aeronautical organisations.

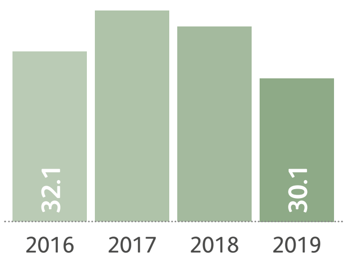
Our customers include...

Business snapshot

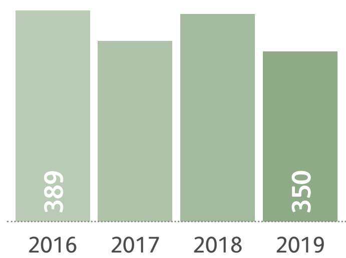
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



Satellite and Media continues to be a competitive market which has resulted in decreased revenue and earnings for the year. During the year the business has experienced:

- Change in focus away from Playout and Occasional use services;
- Strategic decision to exit a low margin managed service contract;
- Non-renewal of contracts;
- Pricing pressures; and
- New HD channel sales growth

Market environment – Media Networks

With digital radio listening figures over 50%, in May the Minister for Digital and Creative Industries, confirmed the start of the government's review of radio and its transition to digital platforms. The government has consulted with Arqiva and other stakeholders about the review's structure and key inputs and the review is expected to be completed by the middle of next year. Arqiva continues to be in discussions with regard to industry changes in this area and the Group's DAB network places the business in a prominent position to support DAB as the long-term successor in the digital radio market.

Across the broadcast industry, consumer trends are changing with people having access to video and audio content in increasingly different ways, with smartphones and tablets alongside traditional TV sets. Customers continue to embrace OTT services and Internet Protocol (IP) delivered content. Smart TV's and set-top boxes continue to be important as they provide the end-user with a seamless experience regardless of the delivery method. Growth in these other platforms requires the broadcast market to be able to offer opportunities to deliver flexible networks and cloud-based solutions to deliver content in more dynamic ways.

The DTT platform, which is broadcast primarily under the Freeview brand name, continues to be key within the industry in the delivery of content to households. This platform remains attractive in the UK for Hybrid DTT / IP TV service where DTT remains the underlying delivery mechanism that has a core free-to-air linear content base with a variety of OTT services on-top. New hybrid-IP products are therefore essential to being able to monetise content for broadcast customers and keep up with the emerging demands of the market.

Hybrid TV platforms provide viewers with a connected TV experience offering more choice, functionality and content and as a result adding a plethora of additional ways to add commercial value for broadcast providers. Hybrid TV and virtualisation are growth areas in the market. Arqiva is a leader in virtualised services having launched a new consumer OTT service to provide core managed teleport and fibre services along with scalable IP streaming services.

Spotlight: Telecoms & M2M

c.8,000
active licensed macro sites

>12million
Premises to be covered by our smart networks

c.200,000
municipal street furniture sites in 14 London Boroughs

Services delivered

Arqiva's physical infrastructure gives mobile operators access to circa 8,000 active sites forming the Group's core telecom tower business. Space on towers and street furniture are licensed to national MNOs and other wireless network operators to enable complete mobile communications networks ('site-share'). Arqiva also works with the MNOs to upgrade networks to support 4G and future mobile services such as 5G ('installation services').

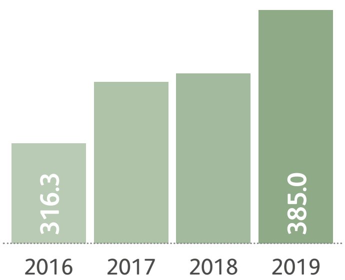
Arqiva is a provider of outdoor small cells infrastructure with exclusive access to street infrastructure in major UK cities including 14 London Boroughs.

Utilising the Group's sites, Arqiva is building machine-to-machine networks as part of long-term contracts to provide a smart energy metering network for approximately 9.3 million premises in Scotland and the north of England, and a smart water metering network for customers in the south of England.

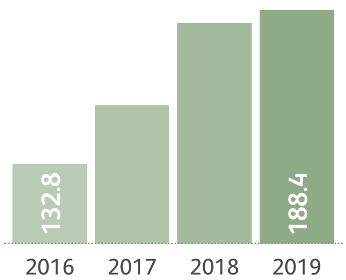
Our customers include...

Business unit snapshot

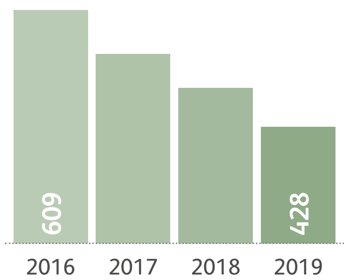
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Telecoms & M2M revenues and earnings principally as a result of:

- Continued increased revenues and earnings from the core telecoms towers business due to higher site assignments;
- Greater revenues from incremental changes requests agreed in the year in relation to the smart energy metering contract; and
- Decreasing activity on Installation Services as volumes reduce as 4G roll-out reaches completion.

Market environment

The new Electronic Communications Code continues to be a key factor in the industry. The Code was designed to facilitate the installation and maintenance of electronic communications networks in the UK. The latest updates intend to enhance investment in the digital infrastructure in order to meet public demand for more extensive coverage, better connectivity and faster services. Whilst MNOs will be impacted in terms of providing increased geographic coverage Arqiva may be further impacted through rent reviews and site access for upgrades as the Code continues to be implemented.

In December 2018, Arqiva and CityFibre revealed details of the UK's largest pilot of wholesale, 5G-ready small cell infrastructure. The pilot project in the London Borough of Hammersmith and Fulham is creating 15km high density fibre network, which provides the bandwidth for MNOs to explore advanced technology including 5G. The fibre network will provide MNOs the ability to deploy small cells quickly and easily, to connect businesses and residents to the ultra-fast 5G network.

With growing reliance on data, telecommunications street furniture is being recognised as a vital component of infrastructure for current and next generation telecoms equipment, including outdoor small cells. The Group continues to actively develop its outdoor small cells proposition. Arqiva's solution uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas.

Corporate responsibility

Arqiva endeavours to conduct its business in a way that benefits its customers, suppliers, employees, shareholders and the communities in which it operates. Three values are at the heart of the organisation. They were developed by the Group's employees and are therefore owned by its people.

Ingenious

Finding ingenious and smarter ways to support our customers

Straightforward

Talking and acting in a clear and straightforward way to make sure we're always effective and understood

Collaborative

Bringing expertise and passion to collaborate as one team and go that extra mile

Arqiva never underestimates the contribution its people make to its business and its customers' businesses. That's why the values guiding how its people work were defined by its employees. Values 'champions' from across the company led workshops with their colleagues to ensure everyone had the opportunity to contribute to the decision-making process.

The Group believes it has a role to play in shaping its dynamic industry. It actively engages with government, trade associations and other industry players as it knows that to keep its customers connected it must continually work to identify and develop the ideas that will enable society's wireless digital future.

The Group has four focus areas to ensure that it acts responsibly, ethically and safely in everything that we do

1. Corporate focus – together we are stronger
2. Community focus – building community
3. Employee focus – supporting personal contribution
4. Business focus – being a responsible employer

1. Corporate focus – together we are stronger

Arqiva is connected with universities and schools to invest in the future of Science, Technology, Engineering and Maths (STEM). The Group has active intern, apprentice and graduate schemes and STEM ambassadors who support local schools and encourage visits from schools to Arqiva's main sites to stimulate their interest in STEM subjects as a key step to their future career.

Arqiva began supporting Cancer Research UK (CRUK) as its recognised national corporate charity in July 2019. Colleagues are asked to get involved in a number of ways:

1. Participate in an Arqiva-organised event.
2. Matched funding if they participate in any CRUK event
3. Taking on a personal challenge

The first events in support of CRUK took place on 25 July 2019 when colleagues from three sites at Emley Moor, Romsley and Crawley organised their own Race for Life and took on local routes of around 5k. Reaction to these first events has been pleasing with in excess of £25k raised. Further activity is already planned for the remainder of 2019 and beyond.

2. Community focus – building community

Arqiva's 'Connected Communities' programme supports teams of colleagues to get involved in volunteer work for local charities. The Group also works with office teams across our sites in supporting charities local to them.

3. Employee focus – supporting personal contribution

Charitable donations

During the year, the Group made a number of charitable donations including to local charities and those that also matter to Arqiva's people. Contributions were made as part of a matched funding scheme to match employee fundraising for charitable events in which they participate. The Group also supports the Give as you Earn scheme, working in partnership with the Charities Aid Foundation which manages the scheme.

4. Business Focus – being a responsible employer

Environment

The Group is committed to complying with all applicable environmental legislation and annually assesses the environmental impact of its activities, products and services and through active environment management aims to reduce any negative impacts. The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001, the latter being the voluntary International Standard for “Energy Management Systems”.

Energy consumption is a key area of interest for the Group given it is a significant consumer of electricity. Arqiva’s energy policy reflects the company’s commitments to improving energy efficiency by:

- Reducing energy consumption,
- Investing in energy efficient technology, and
- Monitoring carbon emissions.

One of Arqiva’s business aims is to reduce carbon emissions and energy costs whilst complying with energy legislation. The Group is always looking at new and innovative ways of driving down its carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. Additionally, it investigates how emerging technologies and ingenious ways of working can help it and its customers become more environmentally friendly. As new technologies emerge, and legacy equipment is replaced Arqiva looks for the most environmentally-friendly ways to dispose of redundant hardware.

During 2019, the Group kicked off our campaign to reduce reliance on single-use plastics. As part of this recycling journey single use plastic hot drinks cups and plastic water cups have been removed from across our sites.

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 OHSAS18001. The Board of Directors regularly review health and safety reports in relation to the Group’s activities, employees and contractors.

As part of the Group’s ongoing commitment to the wellbeing of its employees, a number of employees have been trained during the year as mental health first aiders.

Information security

Due to the critical importance of Arqiva’s sites and systems to the Arqiva Group, its customers and, in some cases, as part of the Critical National Infrastructure, the Group takes information security very seriously.

Arqiva is ISO27001 certified in relation to its Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its robustness of security controls and compliance with this internationally recognised standard. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

Additionally, Arqiva has maintained its Cyber Security Essentials accreditation. This is a government backed, industry supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since November 2016 and recertifies annually. Moving forward, Arqiva is working to align its Business continuity and Disaster recovery plans to ISO22301 certification.

Employees

The average number of persons employed by the Group during the year was 2,012 (2018: 2,088). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

The Group’s policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political belief, disability or age. During the year, the Group has launched a new approach to diversity and inclusion including provision of training to line managers.

The Group continues to address training and development requirements for employees at all levels within the organisation. The Board also reviews future management requirements and succession plans on an on-going basis.

The Arqiva Employee Board (‘AEB’) has continued throughout the year. The AEB is a democratically elected Board that acts as a voice for employees across Arqiva and provide a clear and direct link between the Group’s employees and Senior Executive Management. The AEB continues to meet on a monthly basis to discuss key matters such as performance management, or efficiencies and process in order to develop responsive action plans. The AEB (as well as the Senior Executive Management) also interacts with representatives of BECTU regarding employee matters.

The Group’s employee forums provide an effective channel for communication and collective consultation across the Group. They play an important role in enabling employees to help the Group

The table below provides a breakdown of the gender of Directors and employees:

	Female Number / %	Male Number / %
Board of Directors	1 / 7 %	13 / 93 %
Senior Executive Management	-	6 / 100 %
Group Employees	362 / 18 %	1,650 / 82 %

Corporate responsibility

manage change effectively. The goals of each forum are to act as the formal 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 information.

Significant emphasis is placed on employee communication. The Group intranet 'The Hub' makes information available to employees on all matters including company performance, growth, and issues affecting the industry. The embedded values "ingenious, straightforward, and collaborative – Always", continue to form the fundamental basis of all Arqiva business conduct and communication. Arqiva's monthly employee e-magazine – 'Stay Connected' brings together recent news and events as well as the most important things employees need to know for the month ahead.

The Group wants all its employees to benefit from its success and growth as a business. The 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 the values. The scheme takes into account the targets that have been set by the Group. The Group must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the financial KPIs of EBITDA and operating cash performance. The bonus payment for the 2019 financial year will be made in September 2019. In addition, certain members of senior executive management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the long-term incentive plan period. As with the annual bonus scheme, the Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plans which is then calculated based upon the 3-year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash-based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

Gender Pay Gap

In March, Arqiva published our second annual gender pay gap report including details on why we have a pay gap and the actions we are taking. The report demonstrates a reduction versus the gender pay gap reported in the prior year demonstrating the actions we are taking are enabling us to go in the right direction. The full report is available on the Company website at www.arqiva.com.

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in supply chains. The full statement is included on page 38 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

In conjunction with the UK Bribery Act 2010, the Group has adopted a Code of Conduct for employees, which incorporates all its anti-corruption policies and procedures. The policies apply to all Arqiva employees employed on both a permanent and temporary basis. The Code of Conduct also sets out the policies and procedures on the giving and receiving of gifts and hospitality.

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which it operates. The total contribution to UK tax receipts including business rates and NI paid by both Arqiva and employees, totalled £83.2m for the financial year (2018: £76.6m).

The Arqiva Group is a primarily UK based infrastructure group; while there are some trading operations outside of the UK these generate less than 1% of operating profit and there are no tax planning activities undertaken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of the UK. 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.

This report was approved by the Board of Directors on 25 September 2019 and signed on its behalf by:

Frank Dangeard
25 September 2019


105.8
BBC RADIO
KERRANG!
LIFE IS LOUD
95-106 CAPITAL FM
heart
Premier
BBC 7
thehits
ChristianRadio
where faith comes to life
KISS
magic 105.4
KISSTORY
heat
BBC WORLD SERVICE
BBC RADIO SCOTLAND
1Xtra
smooth RADIO
LIFE. LOVE MUSIC.
BBC RADIO ULSTER

Modern Slavery Act: Slavery and Human Trafficking Statement

Overarching Statement
This statement sets out the steps we are implementing to combat slavery and human trafficking. We remain committed to further improving our practices in the future to combat slavery and human trafficking.

Organisation's Structure
We are a communications infrastructure and media services provider, operating at the heart of the broadcast, satellite and mobile communications markets. We're at the forefront of network solutions and services in the digital world. We provide much of the infrastructure behind television, radio, satellite and wireless communications in the UK and have a significant presence in Ireland, mainland Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited, and their respective subsidiaries, and Arqiva Smart Metering Limited are part of the Arqiva group which has its head office in the UK. We have over 2,000 employees and operate in the UK, Ireland, mainland Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited (including their respective subsidiaries) and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36 million.

Our Supply Chains
The Arqiva Supply Chain works in partnership with our suppliers, ensuring we meet our internal customer needs. The Arqiva values of Ingenious, Straightforward and Collaborative are core to how we interact with suppliers whether a high volume preferred supplier or one-time only supplier.

We have an exceptionally diverse range of services and goods that are required by the business and sourced by our Procurement team including:

- Transmission – Arqiva has numerous transmission sites throughout the UK;
- Construction – Arqiva undertakes a broad range of construction activities from small changes to the construction of new transmission towers;
- Maintenance & Repairs;
- IT software and managed services;
- Satellite Capacity; and
- Corporate facilities (encompassing stationery, recruitment, legal and professional fees).

Our Policies on Slavery and Human Trafficking
We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Suppliers are required to comply with our Supplier Code of Conduct, which reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due Diligence Processes for Slavery and Human Trafficking
As part of our initiative to identify and mitigate risk we:

- aim to identify and assess potential risk areas in our own business and our supply chains;
- try to mitigate the risk of slavery and human trafficking occurring in our own business and our supply chains;
- monitor potential risk areas in our own business and our supply chains;
- where possible we build long standing relationships with suppliers and make clear our expectations of their business behaviour;
- expect our suppliers to comply with the Modern Slavery Act 2015 and have their own suitable anti-slavery and human trafficking policies and processes; and
- encourage the reporting of concerns and support the protection of whistle blowers.

Supplier Adherence to our Values

We have zero tolerance to slavery and human trafficking. We expect all those in our supply chain to comply with those values and our Supplier Code of Conduct.

Our Procurement team, reporting in to our CFO, is responsible for promoting and ensuring compliance with the Modern Slavery Act 2015 as part of our supplier relationships.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, all directors and members of the Management Board have been briefed on the subject and we continue to assess training needs for all relevant members of our staff.

Our Effectiveness in combating Slavery and Human Trafficking

We will use the following key performance indicators (KPIs) to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business or supply chains:

- use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct;
- use of our payroll systems.

Steps taken during the financial year to 30 June 2019

In the past financial year, we have taken the following steps to ensure that slavery and human trafficking is not taking place in our supply chains, and in any part of our own business:

a) We have continued to progress a re-qualification process for all of our suppliers, using our e-procurement system. The re-qualification process includes revised background checks and either (a) confirmation of acceptance of the Arqiva Supplier Code of Conduct (which covers modern slavery and human trafficking); or (b) demonstration that the Supplier has its own equivalent policies covering modern slavery and human trafficking. In addition, all incoming suppliers now go through the e-procurement system requiring these confirmations at the outset of the contractual relationship. Purchase Orders cannot be placed with new suppliers before the confirmation has been given.

b) For FYE 30 June 2019, 97.5% of suppliers by spend value in the last financial year have confirmed compliance with modern slavery and human trafficking requirements. Pending formal confirmation from the remaining 2.5% of suppliers, a risk analysis has been carried out on those suppliers. All are considered to be either low or minor risk suppliers due to the nature of the supplies and the make-up of the relevant organisation. A process has been agreed to obtain the remaining confirmations, failing which the suppliers will be placed on hold and no further purchase orders issued.

c) Our Whistleblowing policy has been refreshed and re-modelled as a 'Speak-Up Policy; and an internal audit of its implementation has been undertaken. Company-wide communications reminding all employees of the policy and how to report concerns have been issued.

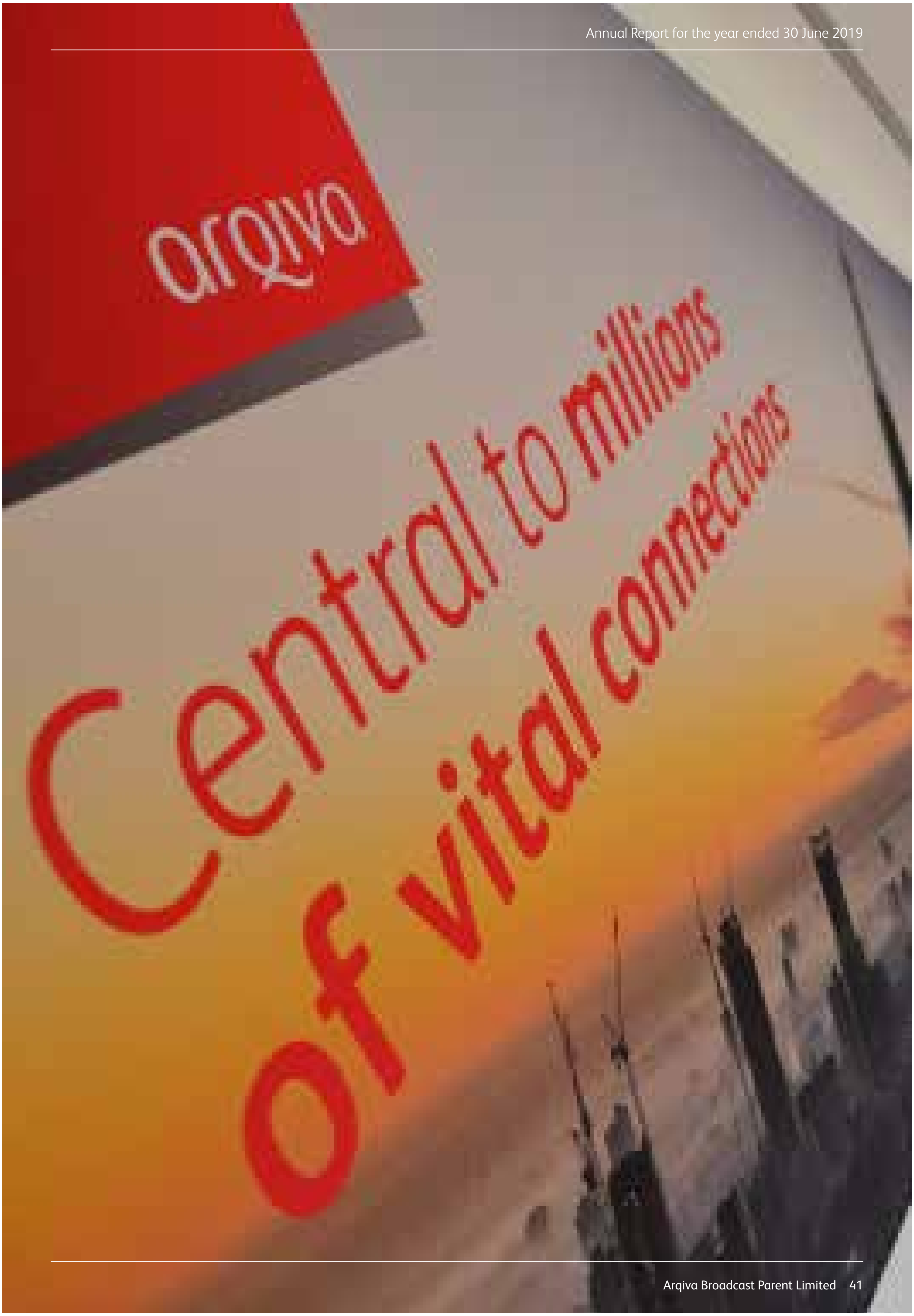
d) Our template supply contracts have been updated and refresher training has been provided to our Procurement team to ensure that appropriate provisions are included when new contracts are entered into.

Statement

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Services Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2019.

Note: The signed statement is available on the company website at www.arqiva.com

Governance


arqiva
Central to millions of vital connections

Board of Directors and Senior Executive Management

Ownership

The Company 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 Pty Limited (5.5 %), IFM Investors (14.8 %) and the Motor Trades Association of Australia (5.2 %). There is no ultimate controlling party of the Company, as defined by IAS 24 'Related parties'.

There are two investor companies which are related parties with the Group, in accordance with IAS 24, 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).

Board committee membership

A	Audit and Risk Committee
N	Nomination Committee
R	Remuneration Committee
O	Operational Resilience
☐	Committee Chairman

Arqiva Board of Directors

The Group's Board of Directors[1] is comprised of the following officers who were in office (on behalf of the shareholder consortium) during the year and up to the date of the signing of the annual report and financial statements:

Mike Parton, Chairman and Nomination Committee Chairman

Mike has brought a wealth of experience from his background in telecoms and technology. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi.

A **N** R

Frank Dangeard, Independent Non-Executive Director and Audit and Risk Committee Chairman

In the telecom, media and technology sector, Frank has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. He served on the boards of SonaeCom and Orange, and was Deputy Chairman of Telenor. He is currently on the board of Symantec (US). In the financial sector, he was a Managing Director of SG Warburg and Chairman of SG Warburg France. He served on the boards of Crédit Agricole CIB and Home Credit. He is currently on the board of the RBS Group (UK), and Chairman of NatWest Markets (UK). Frank also held board positions at EDF, RPX and various listed and non-listed companies in Europe, the US, India and the Middle-East.

A O

Sally Davis, Independent Non-Executive Director and Remuneration Committee Chairman

With over 30 years in the TMT sector Sally has held a number of senior product, strategy and chief executive roles including being a former Chief Executive of BT Wholesale, one of the four operating divisions of BT. Prior to this, Sally had an early product management career at Mercury Communications before becoming a director at NYNEX during its merger with Bell Atlantic to become Verizon.

Sally is also a Non-Executive Director of the Boards of Telenor; Logitech; and City Fibre Holdings.

R

1 See page 130 for the directors of Arqiva Group Limited, the company, who held office during the year and up to the date of this report.

Arqiva Board of Directors (continued)

Simon Beresford-Wylie, Chief Executive Officer

Simon brings a wealth of experience gained from over 30 years in the information technology, broadcast and telecoms sectors.

He previously helped guide the strategy and operations of Samsung Electronics' network business in Seoul, Korea. Prior to this he was CEO of UK-based Digital Mobile Spectrum Limited (DMSL) – also known as At800 – which was established as a 4G licence condition by Ofcom and is responsible for mitigating interference issues that arise as a consequence of the co-existence of DTT television and 4G mobile in the 800MHz band.

Between 2009 and 2012, Simon was CEO of Elster Group (SE). He led the company through a period of growth and also a successful listing on the New York Stock Exchange. Additionally 11 years with the Nokia Corporation saw him latterly serving on the Group Executive Board responsible for the Group's Network Business. He was also the founding CEO of Nokia Siemens Networks which today accounts for around 90% of Nokia's global revenues and profits.

Sean West, Chief Financial Officer

Sean was appointed as Chief Financial Officer in May 2019 having joined Arqiva in 2015 as Director of Treasury and Corporate Finance.

Sean has a background in all areas of corporate finance and financing, and as Director of Treasury and Corporate Finance was responsible for all aspects of the Group's capital structure.

Prior to joining Arqiva, Sean held senior corporate finance and treasury positions at the Intermediate Capital Group (ICG) and LandSec and brings a wealth of experience across a range of industries and financial markets.

Appointed by Frequency Infrastructure Communications Assets Limited:

Mike Darcey, Director

Mike was appointed on 10th September 2018.

Mike has over 25 years' experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. He has also provided strategic advisory services to a range of clients in the media industry.

Mike has served or is currently serving on Boards including Dennis Publishing (UK) Ltd (Chairman), M247 (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand (Director).

N

Martin Healey, Director

Martin heads up the Real Assets Strategy Group at Canada Pension Plan Investment Board. He is a member of CPPIB's global committee for equity investments into real estate, infrastructure and power & renewables, as well as real estate debt.

Since joining CPPIB, Martin has led the development of several new investment programs, making CPPIB's first real estate investments into a number of new countries and sectors. He founded the Private Real Estate Debt group in 2010.

Prior to joining CPPIB in 2005, Martin held transactional roles in the real estate investing, commercial lending and investment banking industries based in the UK, Canada and the United States.

A O

Neil King, Director

Neil runs the European infrastructure business at CPP Investment Board. He has over twenty five years of experience in the infrastructure market, including ten years at 3i as a founding partner in its infrastructure investment business before joining CPPIB in 2015.

Neil is also a non-executive director at Interparking S.A., a European car parking business which is in CPPIB's infrastructure investment portfolio.

N R

Board of Directors and Senior Executive Management

Appointed by Frequency Infrastructure Communications Assets Limited: (continued)

Peter Adams, Director (alternate)

Peter is a Principal in the Infrastructure group at CPP Investment Board, based in London.

Prior to joining CPP Investment Board in September 2010, Peter was with the Boston Consulting Group, where he advised clients in the U.S., Canada and Europe on strategy and operations.

Appointed by Macquarie European Infrastructure Fund II:

Nathan Luckey, Director

Nathan is a Managing Director in Macquarie Infrastructure and Real Assets, and holds a number of non-executive directorship roles for companies within MIRA's investment portfolio. Nathan is a qualified Mechanical Engineer, with expertise across the utilities, telecommunications, transportation and media sectors.

O

Mark Braithwaite, Director

Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seeboard plc. Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.

A N R

Appointed by IFM Investors:

Christian Seymour, Director

Christian is Head of Infrastructure at IFM Investors, responsible for the business expansion in Europe and oversight of IFM's existing European asset portfolio, of which Conyers Trust Company is an investment vehicle.

A N R O

Max Fieguth, Director (alternate)

Max is responsible for asset management of existing investments for IFM Investors, as well as supporting the execution of infrastructure transactions. Prior to joining IFM Investors, Max worked as a Consultant in the Operations Practice at McKinsey and prior to that at Bechtel on a number of infrastructure projects. He holds a Masters in Mechanical Engineering from Imperial College London, an MBA from INSEAD and is a Chartered Engineer with the Institution of Mechanical Engineers in the UK.

Appointed by IFM Investors and Motor Trades Association of Australia (joint appointment):

Paul Donovan, Director and Operational Resilience Chairman

Paul was appointed on 10th September 2018.

Paul is currently CEO of the CH Foundation, a not for profit organisation. He has over twenty years' experience in senior executive roles across the technology, media and telecommunications sectors, as a member of the Executive Committee at Vodafone Group, and as CEO at eircom Group and Odeon and UCI Cinemas. Paul holds an MBA from Bradford University where he is also an Honorary Doctor.

A R O

Senior Executive Management

(also includes the Chief Executive Officer and the Chief Financial Officer on page 43)

David Crawford, Managing Director, Telecoms & M2M

- Appointed **Arqiva** Managing Director Telecoms & M2M in April 2018, previously managing Director of our Satellite and Media business
- Commercial leadership roles at **Cable & Wireless** and **Capita**
- Other previous positions at **Jardine Matheson** and **Bain**

Steve Holbrook, Managing Director, Media Networks

- **Arqiva** since 1995, heading the recently formed Media Networks business, previously Managing director Terrestrial Broadcast
- Other previous positions at **Mercury Communications, Kingston Satellite Services, British Aerospace** and **British Telecom International**

Alex Pannell, Commercial Director, Video & Data, Media Networks

- **Arqiva** since 2012, appointed to the Management Board in 2018 within Satellite and Media
- Director in **BT Wholesale**
- Other previous positions at **Concert Communications**

Neil Taplin, Director of People and Organisation

- Appointed Director of People and Organisation in October 2018, previously Director of Operations in the Terrestrial broadcast business having been with **Arqiva** since 2015
- Senior operations roles at **Virgin Media**

Clive White, Group Transformation Director

- **Arqiva** since April 2018
- Previous transformation positions at **RSA, Lloyds Banking Group, Accenture, AT&T Global Network** and **BSkyB**

Jeremy Mavor, General Counsel

- Appointed to the **Arqiva** Management Board in January 2018, having joined the Company in 2013
- Previously solicitor at **Allen & Overy**

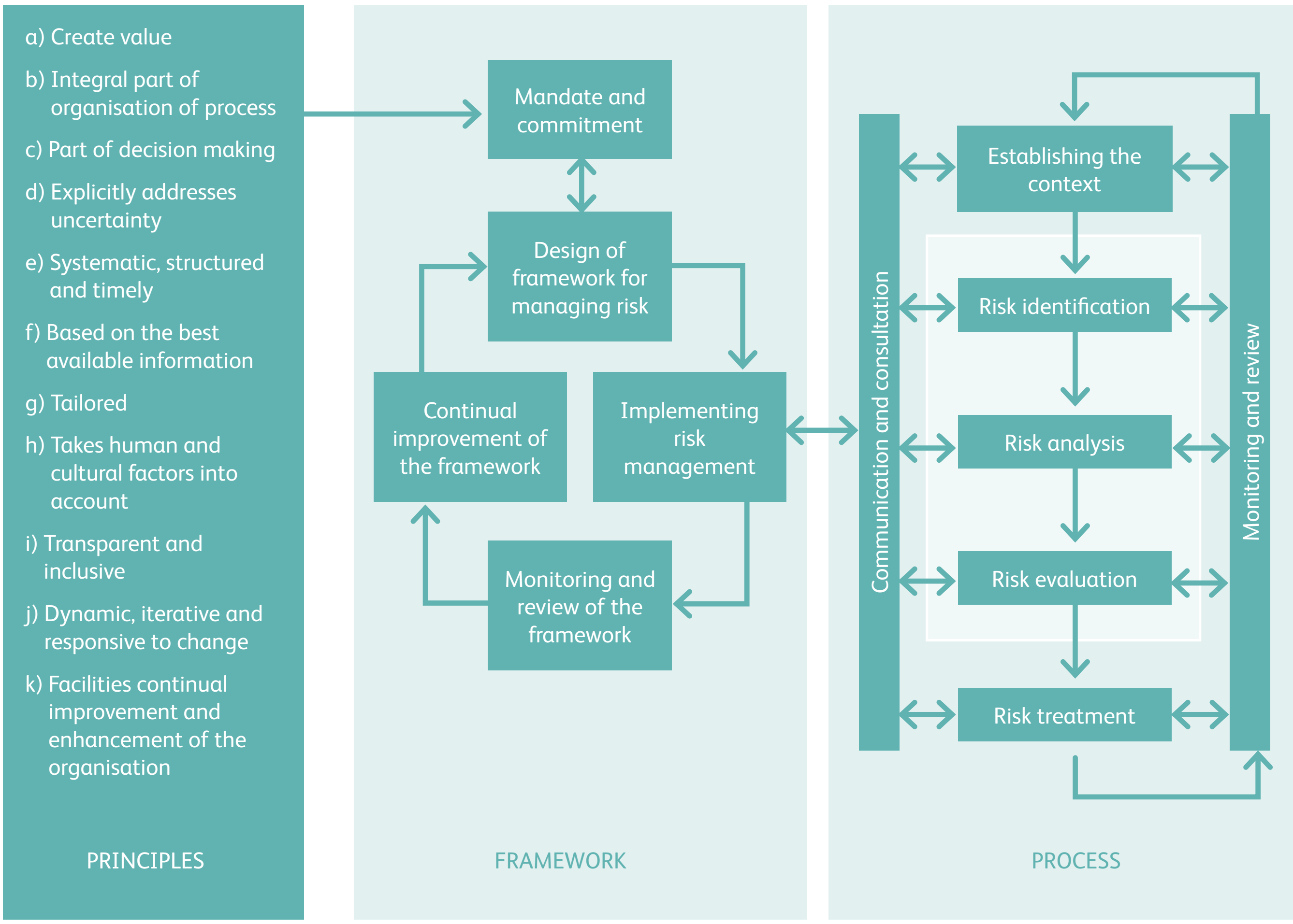
Principal risks and uncertainties

Arqiva's approach to risk management is as follows:

- Arqiva recognises that the effective management of risk is essential to achieve its business objectives.
- Arqiva adopts an Enterprise Risk Management ('ERM') approach, which is recognised as 'best practice' for top performing companies.
- Managing risk is a core responsibility of management at all levels and is a key component of governance and compliance.
- Arqiva aims to embed risk management principles into the culture of the organisation.

Enterprise wide management of risk is important for Arqiva to meet its corporate objectives and for it to protect future competitive advantage. The strategic importance of risk management is recognised by top performing companies and is an important part of good corporate governance. Arqiva subscribes to the Enterprise Risk Management approach to managing its risk profile.

Arqiva has adopted ISO31000 as its Enterprise Risk Management standard and ISO Guide 73 terminology. Arqiva has also adopted the ISO 27000 series for Information Security including ISO/IEC 27005 for Security Risk Management which operates within the Arqiva ERM Framework. Our statements and principles are linked to our process through our risk management framework.



The Managing Director of each business unit has responsibility for maintaining and updating their line of business risk register, which includes utilising the standardised approach to risk assessment and risk monitoring. The Group's centralised Audit and Risk function provides training and support to ensure risks are captured effectively and on a timely basis. Risks are formally discussed with the Chief Executive Officer as part of the existing quarterly business performance reviews highlighting the significance of the link between performance and effective risk management. The Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Senior Executive Management and Audit Committee meetings. The Senior Executive Management takes recommendations for ensuring the risk management framework remains effective going forward.

Business Unit Management:

First defence is the day to day controls and processes put in place by management to identify risks and develop mitigating actions.

Senior Executive Management:

Quarterly review of the corporate risk register to include review of risk management policies, setting of risk appetite, monitoring compliance and reporting of significant risks to the Board of Directors.

Audit and Risk function / Audit committee:

Independent business assurance provided over the effectiveness of the Group's system of internal controls and processes, and the effectiveness of the risk management framework.

Principal risks and uncertainties

Management have identified the following risks as the most significant business risks affecting the Group, presented together with identified mitigating actions.

*Business units have been abbreviated as follows: Media Networks ('MN'), Telecoms & M2M ('T')

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Reputational	All	Bad publicity damages Arqiva's reputation and customer and business partner confidence and its ability to do business as a result of: ▸ A major event or incident impacting our services; ▸ Untimely delivery on major projects; ▸ Repeated unexpected service outages; ▸ Security breach on networks; or ▸ Major network or equipment failure or obsolescence or inability to configure to comply with information security standards	The Group carefully engages with its customers to ensure that project milestones are carefully managed, and management regularly review the progress status of all projects. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. The Group continues to invest in its infrastructure.	Arqiva has continued to achieve its target result for 'network availability' (see page 28) and has continued to meet its contractual milestones on its major contractual programmes (see page 28). The Group maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees. Business Continuity Working Group continues to meet on a monthly basis and will test and roll out the Disaster Recovery plan. Continued capital expenditure in the year to improve infrastructure. Continuing to implement the transformation programme across the business including IT systems to ensure they are up to date and supported through support of Transformation board and regular meetings with the Management Board.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering. Risk of mental health issues as a result of significant organisational changes.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety and site security.	During the year, Arqiva maintained its compliance with OHSA518001 regarding safety management. Mental health strategy has been implemented including improving general awareness particularly amongst line managers. A team of mental health first aiders have been trained and are available across the organisation.

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Technological	MN	Developments in alternative broadcast technologies, such as internet connected TV, which competes against the Group's DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition, Arqiva 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 involvement in Freeview Play. Arqiva has been rolling out national and commercial local DAB in line with its 'New Radio Agreement' with the BBC and government targets which helps to ensure it remains at the forefront of this future technological change.	Arqiva remains in dialogue with relevant stakeholders for the review into timeframes for full analogue radio switchover. Arqiva has completed upgrades to the DAB network to remain in a strong position to support a future switch over. The business model of Arqiva has been reviewed to ensure focus on core markets. The alignment of the Terrestrial Broadcast and Satellite and Media business units has been established to be able to bring a more streamlined approach to changes in the market with regards to new developments in content delivery.
Political	T, MN	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes and licensing. The uncertainty over a deal for Britain's exit from the European Union heightens the uncertainty over future policy and economic conditions and pressure on future refinancing requirements.	Arqiva maintains regular dialogue with its stakeholders to ensure the delivery of its programmes are efficient, timely and to specification. Where specification changes occur Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of those costs through mechanisms in its contracts. Arqiva's assets and operations remain predominantly in the UK and therefore its business has minimal exposure to the changing relationships with international markets. Additionally, we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope change requests on its smart energy metering programme with its customer demonstrating the customer's continued focus on network roll out. Arqiva has continued to achieve its target result for 'network availability' (see page 28) and has continued to meet its contractual milestones on its major contractual programmes (see page 28). Arqiva has continued engagement with Ofcom regarding licensing arrangements. Debt markets have continued to be monitored for accessibility and open dialogue maintained with ratings agencies. Evolving commercial negotiations are closely monitored.
Operational	All	Information, networks and systems, or communications infrastructure may be subjected to cyber security threats leading to a loss or corruption of data, penalties and impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	The Group maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Group's approach to disaster recovery and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass its quarterly security reviews and has consequently retained its ISO certification. Communication and training have been maintained with employees to ensure awareness of potential cyber security threats. Site inspections are completed with a focus on older sites and structural maintenance plans have been implemented.

Principal risks and uncertainties

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Operational (continued)	T, MN	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of its major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customers to ensure that these requirements are sufficiently available.	Arqiva has continued to meet its contractual milestones on its major contractual programmes (see page 28).
	All	Customer relationships, operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of its people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for its leadership team. Additionally the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention. Retention plans have continued to be implemented for key individuals particularly through significant organisational changes.
Demand	T	The level of demand for wireless communications and impact on demand for access to the Group's towers and keeping competitive in the market.	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.	Arqiva is continuing to support the MNOs in focussing on products essential to their strategy and maintaining active engagement with customers particularly surrounding contract renewals. Arqiva has maintained strong customer engagement and remain actively engaged with customers to be able to continue delivery and service excellence.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 51.		

Directors' report

The Directors of Arqiva Broadcast Parent Limited ('ABPL'), registered company number 08085823, ("the Company") and its subsidiaries ("the Group") submit the annual report and audited consolidated financial statements ("financial statements") in respect of the year ended 30 June 2019.

The Company is a holding company with an investment in a group of operating companies, financing companies and other holding companies.

The Directors' report for the Company is set out on page 130.

Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 48). As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to a variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The key financial risks affecting the Group are set out below together with a summary of how these risks are managed:

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate swaps. The Group has, however, elected not to apply hedge accounting meaning gains or losses are recognised through the income statement as fair values fluctuate (2019: £13.7m losses; 2018: £90.3m gains). Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts.
Financing risk	The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities, so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date. With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Group is exposed to credit risk on customer receivables.	This 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 uncollectible debts.
	The Group is exposed to counterparty risks in its financing operations.	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 ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Directors' report

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2019 the Group had £20.3m cash and £355.0m available undrawn facilities to meet planned growth and working capital requirements. In addition, the Group has £250.0m of liquidity facilities available to cover senior interest payments if required and a £30.0m facility to support 'Comms Hub Receivables Purchasing'. The Board consider the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Purchase price risk	Energy is a major component of the Group's cost base and is subject to price volatility.	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. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. 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 is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated private placement notes. Details of the cross-currency swaps are provided in note 25.

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 46).

Audit and Risk Committee

The Audit and Risk Committee is chaired by Frank Dangeard, an independent non-executive director, and includes representation from the Board of Directors. The Audit and Risk Committee monitors the integrity of the Group's financial statements and the effectiveness of the external audit process. It has the responsibility for ensuring that an appropriate relationship exists between the Group and the external auditors, including a review of non-audit services and fees.

In addition, it has responsibilities of oversight of risk management procedures, monitoring compliance and regulatory issues (including whistle-blowing arrangements), and reviewing the effectiveness of the Group's internal controls and internal audit function. The internal audit function agrees its annual audit plan with the Audit Committee and regularly reports its finding and recommendations to it.

The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties, and to obtain any external legal or other professional counsel it requires.

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditors, the Chief Executive Officer, the Chief Financial Officer and representatives from the business as required.

In September 2018, the Board rotated the role of Chairman of Audit and Risk Committee. Frank Dangeard joined Arqiva as an independent non-executive on 10th September 2018 and has been appointed as Chairman of the Committee, replacing Paul Dollman who resigned as Director on the same date.

During his executive career in the telecoms, media and technology sector, Frank Dangeard has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. Prior to that, he was Chairman of SG Warburg France and a Managing Director of SG Warburg. He is a member of the boards of Symantec (US), RPX (US) and the RBS Group (UK) and Chairman of NatWest Markets (UK). Previously he served on the board of Crédit Agricole CIB, Home Credit, Electricité de France, Orange, SonaeCom and as Deputy Chairman of Telenor. A graduate from Ecole des Hautes Etides Commerciales (Prix Jouy-Entreprise), the Paris Institut d'Etudes Politiques (Lauréat) and the Harvard Law School (HLS Fellow, Fulbright Scholar).

Internal audit

The Audit and Risk Committee is responsible for reviewing the work undertaken by the Group's internal audit function, assessing the adequacy of the function's resource and the scope of its procedures. The Group's internal audit plan incorporates an annual rolling review of business activities and incorporates both financial and non-financial controls and procedures.

External audit

The Audit and Risk Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the Group's external auditor. The Committee makes an assessment of the auditors' independence and objectivity taking into account the relationship with the auditors as a whole, including the provision of any non-audit services.

PwC were re-appointed as external auditor in 2016 following a competitive tender process.

The auditors have provided certain non-audit services, principally in relation to assurance services for financing transactions and certain non-audit assurance. The Audit and Risk Committee considers the acceptability of all non-audit services with the auditors in advance of commencement of work to confirm acceptability and ensures that appropriate safeguards of audit independence are established and applied, such as partner rotation.

Remuneration Committee

The Remuneration Committee, chaired by Sally Davis, is established to make recommendations to the Board regarding executive remuneration, including pension rights, and to recommend and monitor the level and structure of remuneration for each member of the Senior Executive Management. Additional oversight is extended to setting and monitoring reward and incentive policies, including the group-wide annual bonus scheme, long-term incentive scheme, and reviewing and making recommendations in relation to wider reward policies.

Nomination Committee

The Nomination Committee, chaired by Mike Parton, is established to give oversight to the size, structure and composition (including skills, experience, independence, knowledge and diversity) of the Board to ensure that the continued leadership ability is sufficient to allow the business to compete effectively in the market. This also includes oversight of the succession planning for directors (and other senior management where appropriate).

Operational Resilience Committee

The Operational Resilience Committee, chaired by Paul Donovan, has oversight of the adequacy and effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health and environment ('SHE') matters affecting the activities of the Group). This includes consideration and risk management of areas of significant and individual cyber security, physical security, business continuity and SHE risk.

Equal opportunities policy

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. Further information on how Arqiva supports its employees can be found on page 35.

Political donations

No political donations were made during the year (2018: none).

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. The research costs expensed in the year were £6.1m (2018: £4.3m). In addition, the Group carries out research and development as part of its contract bid processes and these costs are expenses as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £2.9m (2018: £2.7m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within property, plant and equipment. The Group's capital expenditure in the year was £134.3m (2018: £174.4m) and includes capitalised labour of £42.1m (2018: £51.5m). Other development costs would be capitalised within intangible assets. In the year, development costs capitalised total £2.1m (2018: £5.6m), with amortisation of £3.5m (2018: £2.8m) charged against such capitalised development costs.

Overseas branches

The Group has trading branches based in the Isle of Man, the Channel Islands and France.

Directors' report

Events after the reporting date

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

Dividends and transfers to reserves

The Company has declared no dividends in the year (2018: none). Group companies which include a non-controlling interest, Now Digital (East Midlands) Limited and South West Digital Radio Limited, declared dividends in the year of £0.8m and £nil respectively (2018: £0.3m and £0.1m respectively). The consolidated loss for the year of £77.4m (2018: profit of £265.2m) was transferred to reserves.

Going Concern

The Strategic report includes information on the structure of the business, our business environment, financial review for the year and uncertainties facing the Group. Notes 21,23 and 25 of the consolidated financial statements include information on the Group's cash, borrowings and derivatives; and financial risk management information presented within this report.

The Directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements, including the repayment profile of borrowings, and facilities available to the Group. The Directors continue to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future and consequently adopt a going concern basis in preparing the consolidated financial statements.

Future developments

The Group plans to continue to invest in its business units in accordance with its strategy. Further detail is contained within the Strategic report on page 17.

Ownership and Directors

A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 42.

At 30 June 2019, Mike Parton was the Group's independent Chairman. Jeremy Mavor is the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 42.

Details of the statutory directors of the Company are shown on page 130.

Directors Indemnities

The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third-party indemnity for the purposes of the Companies Act 2006. The indemnity was in force during the full financial year and up to the date of approval of the financial statements.

Disclosure of information to the Independent Auditors

The Directors of the Group 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.

Frank Dangeard
Director
25 September 2019

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 such financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and 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.

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.

Financial Statements

Group financial statements

Company financial statements

Independent Auditors' report to the Members of Arqiva Broadcast Parent Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Broadcast Parent Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2019 and of the Group's loss and cash flows for the year then ended;

- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;

- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 30 June 2019; the Consolidated income statement and the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £16.7m (2018: £16.5m), based on 5% of profit before interest, tax, exceptional items and other gains and losses.
- Overall Company materiality: £33.0m (2018: £44.4m), based on 1% of total assets.

- For the Group financial statements we performed an audit of the complete financial information of 7 entities and the consolidation. We also conducted audit procedures on specific line items for 4 entities.
- The audit work performed gave us coverage of 98% of revenue and 91% of profit before interest, tax, exceptional items and other gains and losses.
- All entities have been audited by the Group team and hence no component auditor has been involved in the audit of the Consolidated financial statements.

- Revenue and profit recognition on complex contracts (Group), and fraud in revenue (All revenue streams)
- Accruals and provisions, including amounts relating to infrastructure, decommissioning of sites and bonuses (Group).
- Valuation of financial instruments (Group).
- Classification of exceptional items (Group).
- Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company).
- Recognition of deferred tax asset (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Revenue and profit recognition on complex contracts (Group) Refer to page 75, page 83 and page 85 (note 3- significant accounting policies – revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty – revenue recognition and note 5 – revenue and segmental information). The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining the separate deliverables, the related revenue and costs to complete and therefore the margin to be recognised.	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2019 and for all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the performance obligations were separately identified and performed testing over the amounts of revenue allocated to each performance obligation to ensure the revenue recognition is appropriate. For each element of revenue we assessed the extent of performance of deliverables that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, and assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate. For revenue and margin recognised on a percentage of completion basis we assessed the costs incurred to date and forecast for the relevant deliverable, to determine the percentage of completion. We ensured the amount of revenue recognised was consistent with this calculation. Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery and validated this to the signed contract variation addendums. We assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IFRS 15, and assessed the amount of transition adjustments arising on implementation of IFRS15. For the profit recognised we compared the current year margin percentage with the past profit percentage and forecast percentage margins for the deliverable, obtaining explanations for variations where necessary. Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.

Key audit matter	How our audit addressed the key audit matter
Fraud in revenue recognition (Group) Refer to page 75, page 83 and page 85 (note 3- significant accounting policies – revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty – revenue recognition and note 5 – revenue and segmental information). The Group has recorded £990.4m of revenue (2018: £964.2m). There is a risk that revenue may be fraudulently recorded and may not exist. We assessed the risk of fraud in revenue recognition and determined this to differ between non-complex, recurring revenue and revenue from complex contracts. For non-complex recurring revenue we determined risk of fraud in revenue recognition to be primarily at a journals level including the recognition of year end accrued and deferred revenue. For complex contracts there is additional risk surrounding the fraud in revenue recognition due to the complexities and judgements involved. The additional testing performed over these has been described in the key audit matter above.	For all of revenue, we performed risk based testing over a sample of journals to revenue which do not follow the expected posting entries. For the journals selected we have traced back to supporting documentation without exception. We performed testing over the year end accrued and deferred revenue which included agreeing amounts to supporting documentation such as underlying contracts and invoices. We did not identify any issues as a result of our work performed.
Accruals and provisions (Group) Refer to page 83 and page 116 (note 4- critical accounting judgements and key sources of estimation uncertainty – provisions and contingent liabilities and note 26 – provisions). Arqiva's business results in recognising complex accruals and provisions including those related to infrastructure across the extensive asset portfolio, various bonus accruals and decommissioning provisions. As there is an element of estimation involved, there is considered to be a risk that these balances may not be appropriately determined.	On a sample basis, we tested the accounting for accruals and provisions to supporting documentation and have challenged management where judgement has been applied, to corroborate the reasonableness of assumptions made with either historic performance or alternative evidence. This included: • for rent, rates and power, understanding the processes for identifying and aggregating accruals and testing on a sample basis for accuracy and completeness by agreeing to supporting documentation; for the decommissioning provision we obtained management's calculations and assumptions and confirmed that the methodology applied is appropriate. We assessed the reasonableness of the assumptions in conjunction with the asset plan, decommissioning cost estimates and actual experience, and the appropriateness of the discount rate; for bonuses, we agreed the assumptions used to the current year outcome and, where relevant, to the long term plan which has been approved by the board. From our work, we have not identified any material differences or where the rationale for recognition of an accrual/provision was not considered appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments (Group) Refer to page 78, page 84 and page 109 (note 3- significant accounting policies – financial instruments, note 4- critical accounting judgements and key sources of estimation uncertainty – fair value measurements and valuation processes and note 25 –financial instruments and risk management). The Group holds a number of derivative financial instruments comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of those instruments using valuations provided by the counter party institutions with adjustments made by management for counter party credit risk. This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved.	We engaged our valuations experts to assist with the audit of the counter parties' valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. This recalculated the fair value using our internal valuation model for every instrument which was then compared to the amount recognised in the financial statements. There were no material differences arising between the Group fair values of derivative financial statements recognised and our valuations.
Classification of exceptional items (Group) Refer to page 91 (note 7 – exceptional items). Costs of £12.5m have been classified as exceptional items in the current year financial statements. One of the Group's financial reporting KPIs is EBITDA prior to exceptional items. There is a risk that some non-exceptional costs could have been incorrectly classified as exceptional costs.	We assessed the disclosed accounting policy for compliance with accounting standards and for consistency of application. We scanned the listing of exceptional items for costs that appeared unusual to us in the context of the accounting policy and tested a sample of items to assess whether such items were appropriately classified. We considered our knowledge of the business, one-off transactions that have occurred during the year and results of other audit procedures to gain comfort over completeness of the exceptional items. Our testing did not identify any material misstatements in the amounts or presentation of exceptional items.
Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company) Refer to page 84, page 96 and page 98 (note 4- critical accounting judgements and key sources of estimation uncertainty – Impairment of goodwill, note 14 –goodwill and note 15 – other intangible assets) and page 135 (note 3 – Investments). IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of all indefinite lived intangible assets, such as goodwill.	We obtained an understanding of the allocation of goodwill to business units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the accuracy of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of intangibles and goodwill for each business unit. These included the assumptions for revenue and cost growth, capital expenditure and the discount rate used.

Key audit matter	How our audit addressed the key audit matter
The Group's intangible assets and goodwill are material, amounting to £2,026.3m, and the impairment reviews performed over these include a number of assumptions which are subject to management judgement. The Company has significant investments in subsidiaries of £3,301.7m.	We involved our valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and confirmed this was calculated using an acceptable methodology and in line with what we would expect We reviewed management's sensitivity analysis and performed our own sensitivity analysis considering various scenarios impacting key assumptions, including forecast cash flows, terminal growth rate and discount rates. Based on this testing, we considered whether the carrying value of these intangibles was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. For the Company's investment in subsidiaries we have compared the higher of value in use and fair value less costs to sell with the carrying value of the investments held. When considering recoverable value we have agreed key estimates to supporting evidence including verifying the appropriateness of the assumptions for revenue and cost growth, capital expenditure and the discount rate used, where applicable. Our testing did not identify any material differences to the position reflected in the financial statements.
Recognition of deferred tax asset (Group) Refer to page 83 and page 103 (note 4- critical accounting judgements and key sources of estimation uncertainty – deferred tax and note 20 – deferred tax) In the prior year, a deferred tax asset of £208m was recognised following the introduction of legislation which restricts interest deductions. In the current year, £10.3m was utilised, leaving a deferred tax asset at yearend of £197.7m which has been assessed for recoverability as part of our yearend procedures. A further £72.0m of potential deferred tax assets have not been recognised as they are not considered to be recoverable. There are management judgements involved in the determination of the elements of the deferred tax asset to recognise and the value of that recognition, including the extent to which there are foreseeable taxable profits.	We obtained management's detailed workings which set out the various elements of the deferred tax asset and rationale as to why these should or should not be recognised and assessed the appropriateness of this in conjunction with our taxation specialists. We challenged management's assumptions in relation to tax losses and the evidence available to support the recognition of losses arising in various entities, including consideration of whether specific steps are required in order to enable the value of the losses to be realised and the stage of Arqiva's steps towards recovery. We obtained management's forecast of taxable profits and agreed those to the approved long term plan. The calculations of the forecast taxable profits were reviewed, and an analysis of the sensitivity of the utilisation horizon to variations in EBITDA was considered.

Key audit matter	How our audit addressed the key audit matter
	As a result of our work performed no material differences were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2019.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Arqiva Group Limited's business is carried out through two principal trading subsidiaries, aligned into three customer-facing business units; Terrestrial Broadcast, Telecoms & M2M and Satellite and Media, supported by the Group's corporate functions. In FY20, these will be aligned into two customer-facing business units; Telecoms & M2M and Media Networks. In addition, there are a number of entities which provide financing to the operations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£16.7m (2018: £16.5m).	£33.0m (2018: £44.4m).
How we determined it	5% of profit before interest, tax, exceptional items and other gains and losses.	1% of total assets.
Rationale for benchmark applied	Based on our professional judgement, profit before interest, tax, exceptional items and other gains and losses is an appropriate measure to assess the performance of the Group, and is a generally accepted auditing benchmark.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £8.4m and £15.9m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75m (Group audit) (2018: £0.75m) and £0.75m (Company audit) (2018: £0.75m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Graham Lambert

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
25 September 2019

Consolidated income statement

	Notes	Year ended 30 June 2019 Pre-exceptional items £m	Exceptional items £m	**Total £m**	Year ended 30 June 2018[1] Pre-exceptional items £m	Exceptional items £m	**Total £m**
Revenue	5	990.4	-	990.4	964.2	-	964.2
Cost of sales		(346.6)	-	(346.6)	(323.0)	-	(323.0)
Gross profit		**643.8**	-	**643.8**	**641.2**	-	**641.2**
Depreciation	16	*(184.1)*	-	*(184.1)*	*(166.3)*	-	*(166.3)*
Amortisation	15	*(15.8)*	-	*(15.8)*	*(16.7)*	-	*(16.7)*
Impairment	15,16	-	-	-	*(4.4)*	-	*(4.4)*
Other operating expenses[2]	7	*(116.6)*	*(12.5)*	*(129.1)*	*(121.8)*	*(9.5)*	*(131.3)*
Total operating expenses		(316.5)	(12.5)	(329.0)	(309.2)	(9.5)	(318.7)
Other income		7.5	-	7.5	4.6	-	4.6
Share of results of associates and joint ventures	17	-	-	-	0.2	-	0.2
Operating profit	6,7	**334.8**	(12.5)	**322.3**	**336.8**	(9.5)	**327.3**
Finance income	9	2.4	-	2.4	2.0	-	2.0
Finance costs	10	(354.9)	-	(354.9)	(367.0)	-	(367.0)
Other gains and losses	7,11	(37.1)	-	(37.1)	92.3	0.1	92.4
(Loss)/profit before tax		**(54.8)**	(12.5)	**(67.3)**	**64.1**	(9.4)	**54.7**
Tax	12			(26.8)			229.7
(Loss)/profit for the year				**(94.1)**			**284.4**
Attributable to:							
Owners of the Company				(94.4)			284.0
Non-controlling interests				0.3			0.4
				(94.1)			**284.4**

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

Figures at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

[2] Exceptional items are presented to assist with the understanding of the Group's performance. See note 7 for further information.

Consolidated statement of comprehensive income

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
(Loss)/profit for the year		**(94.1)**	**284.4**
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	30	(5.1)	10.8
Movement on deferred tax relating to pension schemes		0.9	(1.8)
		(4.2)	**9.0**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		2.5	0.2
Total other comprehensive (loss)/income		**(1.7)**	**9.2**
Total comprehensive (loss)/income		**(95.8)**	**293.6**
Attributable to:			
Owners of the Company		(96.1)	293.2
Non-controlling interests		0.3	0.4
		(95.8)	**293.6**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Consolidated statement of financial position

	Note	30 June 2019 £m	30 June 2018[1] £m
Non-current assets			
Goodwill	14	1,979.0	1,980.6
Other intangible assets	15	47.3	59.0
Property, plant and equipment	16	1,711.1	1,770.4
Deferred tax	20	197.7	208.0
Retirement benefits	30	22.0	20.6
Interest in associates and joint ventures	17	0.1	0.1
		3,957.2	**4,038.7**
Current assets			
Trade and other receivables	18	178.9	224.5
Contract assets[2]	18	33.5	40.4
Cash and cash equivalents	21	14.9	38.8
		227.3	**303.7**
Total assets		**4,184.5**	**4,342.4**
Current liabilities			
Trade and other payables	22	(1,347.7)	(1,284.6)
Contract liabilities[2]	22	(176.6)	(173.4)
Borrowings	23	(514.1)	(151.9)
Provisions	26	(6.2)	(2.8)
		(2,044.6)	**(1,612.7)**
Net current liabilities		**(1,817.3)**	**(1,309.0)**
Non-current liabilities			
Contract liabilities[2]	22	(248.6)	(283.1)
Borrowings	23	(2,395.4)	(2,866.8)
Derivative financial instruments	25	(1,001.8)	(1,030.8)
Provisions	26	(73.6)	(64.8)
		(3,719.4)	**(4,245.5)**
Total liabilities		**(5,764.0)**	**(5,858.2)**
Net liabilities		**(1,579.5)**	**(1,515.8)**
Equity			
Share capital		0.1	0.1
Accumulated losses		(1,544.1)	(1,445.5)
Merger reserve		(188.5)	(188.5)
Capital contribution reserve		152.6	120.3
Translation reserve		(0.6)	(3.1)
Total equity attributable to owners of the Parent		(1,580.5)	(1,516.7)
Non-controlling interest		1.0	0.9
Total equity		**(1,579.5)**	**(1,515.8)**

These financial statements on pages 66 to 138 were approved by the Board of Directors and authorised for issue on 25 September 2019. They were signed on its behalf by:

Frank Dangeard – Director

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

[2] Contract assets and contract liabilities are presented separately from other assets and liabilities following adoption of IFRS 15 on 1 July 2018. See note 33 for further information.

Consolidated statement of changes in equity

	Note	Share capital* £m	Accumulated losses £m	Merger reserve £m	Capital contribution reserve £m	Translation reserve £m	Total Equity attributable to owners of the Parent £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2017[1]		**0.1**	**(1,738.5)**	**(188.5)**	**120.3**	**(3.3)**	**(1,809.9)**	**0.6**	**(1,809.3)**
Profit for the year		-	284.0	-	-	-	284.0	0.4	284.4
Other comprehensive income		-	9.0	-	-	0.2	9.2	-	9.2
Total comprehensive income		-	293.0	-	-	0.2	293.2	0.4	293.6
Dividends paid		-	-	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2018[1]		**0.1**	**(1,445.5)**	**(188.5)**	**120.3**	**(3.1)**	**(1,516.7)**	**0.9**	**(1,515.8)**
(Loss) / profit for the year		-	(94.4)	-	-	-	(94.4)	0.3	(94.1)
Other comprehensive (loss)/income		-	(4.2)	-	-	2.5	(1.7)	-	(1.7)
Total comprehensive (loss)/income		-	(98.6)	-	-	2.5	(96.1)	0.3	(95.8)
Representation of capital contribution – see note 12		-	-	-	16.4	-	16.4	-	16.4
Capital contribution		-	-	-	15.9	-	15.9	-	15.9
Dividends paid	13	-	-	-	-	-	-	(0.2)	(0.2)
Balance at 30 June 2019		**0.1**	**(1,544.1)**	**(188.5)**	**152.6**	**(0.6)**	**(1,580.5)**	**1.0**	**(1,579.5)**

*Comprises 100,002 (2018:100,002) authorised, issued and fully paid ordinary shares of £1 each.

[1] Figures as at 1 July 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Consolidated cash flow statement

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Net cash inflow from operating activities	27	**486.7**	**572.1**
Investing activities			
Interest received		1.8	1.8
Purchase of tangible assets	5	(120.3)	(161.4)
Purchase of intangible assets	5	(2.5)	(3.7)
Sale of tangible assets		7.5	0.3
Proceeds on disposal of investments		-	5.2
Loans to joint ventures		-	0.6
Net cash outflow from investing activities		**(113.5)**	**(157.2)**
Financing activities			
Raising of external borrowings	23	625.0	-
Repayment of external borrowings	23	(737.2)	(124.3)
Repayment of finance lease capital	23	(0.7)	(0.4)
Movement in borrowings		(112.9)	(124.7)
Interest paid		(218.6)	(227.4)
Interest element of finance lease rentals		(0.9)	(1.0)
Cash settlement of principal accretion on inflation-linked swaps	25	(44.3)	(58.6)
Debt issue costs and facility arrangement fees		(7.7)	-
Cash inflow on redemption of swaps	25	1.6	-
Redemption premium of Junior Bonds upon refinancing		(14.3)	-
Net cash outflow from financing activities		**(397.1)**	**(411.7)**
(Decrease) / increase in cash and cash equivalents		**(23.9)**	**3.2**
Cash and cash equivalents at the beginning of the financial year		38.8	35.6
Cash and cash equivalents at end of year	21	**14.9**	**38.8**

Notes to the Group financial statements

1 General information, authorisation of financial statements and Statement of Compliance

Arqiva Broadcast Parent Limited ('ABPL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 08085823. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2019 comprise the Company and its subsidiaries (together the "Group").

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 8 to 39.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 131 to 138.

2 Adoption of new and revised Standards

New and revised Standards

The group applied IFRS 15 and IFRS 9 for the first time in the current year. The nature and effect of the changes as a result of adoption of these new accounting standards are described in note 33.

The following additional new and revised Standards and Interpretations have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IAS 40	Transfer of Investment Property
Annual improvements 2014-2016 cycle	Includes amendments to IFRS 12

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not applicable for these financial statements:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
IFRS 16	Leases	1 January 2019	30 June 2020
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019	30 June 2020
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019	30 June 2020
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	Various standards	1 January 2019	30 June 2020
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019	30 June 2020

Impact Assessment of new Standards

With the exception of IFRS16, the new standards are not expected to have a significant impact on the amounts reported in these financial statements.

IFRS 16 Leases
IFRS 16 "*Leases*" was issued in January 2016 to replace IAS 17 "*Leases*" and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Group on 1 July 2019.

IFRS 16 changes lease accounting for lessees and will have a material impact on the Group's financial statements, in particular:

- Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payments. The liability recorded for future lease payments will be for amounts payable for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options or similar rights. Under IAS 17, liabilities are generally not recorded for future operating lease payments, which have been disclosed as commitments, see note 28 "Financial commitments and contingent liabilities".
- Lease costs will be recognised in the form of depreciation of the right of use asset and interest on the lease liability. This will result in a material increase to reported EBITDA.
- Lease liabilities will generally be discounted at the incremental borrowing rate of the relevant Group entity although the interest rate implicit in the lease will be used when it is readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term. Under IAS 17, operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses (see note 6 "Operating profit").
- Net cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as payments made at both lease inception and subsequently will be characterised as repayments of lease liabilities and interest. Net cash flows will not be impacted by IFRS 16.

Lessee accounting for finance leases will be similar under IFRS 16 to existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is expected to be materially the same for the Group.

The Group will adopt IFRS 16 on a modified retrospective basis with no restatement of prior period results. On transition, remaining payments payable under lease arrangements will be discounted using an appropriate rate and recognised as lease liabilities. Right-of-use assets will be recognised equivalent to the lease liability, adjusted for any pre-existing prepaid lease payments and accrued lease expenses.

A high volume of transactions will be impacted by IFRS 16 and material judgements will be required in identifying and accounting for leases. The group is well progressed in implementing the new standard.

The most significant judgements in applying IFRS 16 relate to lease identification, fixed and variable payments and the determination of the lease term:

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

  Where the Group has contracts for the use of fibre and other fixed telecommunication lines, judgement is required to determine whether the Group controls the line and has a lease.
- Some lease contracts include elements of consideration which are fixed and variable. For these contracts judgement is required to determine to what extent any of the variable consideration is in substance fixed consideration according to IFRS 16. Where variable consideration is in substance fixed consideration it is included in the valuation of the lease liability and right of use asset.
- Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option or similar right will be exercised or that a termination option will not be exercised by the Group. Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the leased asset's nature and purpose and potential for replacement and any plans that the Group has in place for future use of the asset.

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

The Group will apply the following practical expedients allowed under IFRS 16:

- Initial direct costs of lease arrangements will be excluded from the initial right-of-use asset;
- The Group will rely on its onerous lease assessments under IAS 37 to impair right-of-use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption; and
- The Group will be taking the short term or low value expedients in IFRS 16 for office equipment excluding IT equipment.

The Group's current estimate of the primary pre-tax financial impact of these changes on the consolidated statement of financial position on adoption is the recognition of an additional lease liability at 1 July 2019 of between £295 million and £315 million. The additional lease liability does not equal the operating lease commitment disclosed in note 28 primarily because lease terms determined under IFRS 16 include the impact of discounting and the probability of renewal.

The right of use asset recognised at 1 July 2019 is expected to be slightly higher than the lease liability, as the value of existing lease prepayments added to the balance is expected to exceed the value of accruals and provisions for onerous leases that are deducted. Overall, these transactions are expected to have no material impact on Group retained earnings.

The impact on the consolidated income statement for the year to 30 June 2020 will depend on factors that may occur during the year including new leases entered into, changes or reassessments of the Group's existing lease portfolio and changes to exchange rates or discount rates. However, the operating lease charges incurred in the year to 30 June 2019 were £67.7 million (see note 6 "Operating profit").

These impacts are based on the assessments undertaken to date. The exact financial impacts of the accounting changes of adopting IFRS 16 at 1 July 2019 may be revised.

3 Significant accounting policies

Basis of preparation

The financial framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100, Application of Financial Reporting Requirements, which was issued in November 2012.

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies applying International Financial Reporting Standards (IFRS) and in accordance with interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the valuation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below. These policies have been applied consistently across the comparative financial periods included within these financial statements.

The Company's financial statements have been prepared under FRS 101 and are included in this report – see page 131.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2019.

Control is achieved when the Company:

- has demonstrable power over the relevant activities of the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Going concern

Historically the Group has reported losses and has a significant net liability position on the Statement of Financial Position, caused primarily by debt and the related financing costs. However, the Group has continued to generate strong operating cashflows.

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 28. In addition, forecast covenant compliance remains strong. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for the allocation of resources and assessment of performance of the operating segments, has been identified as collectively the Board of Directors, which includes the Chief Executive Officer and the Chief Financial Officer.

Revenue recognition
Revenue represents the gross inflow of economic benefit for services provided utilising Arqiva's communications infrastructure, completion of significant engineering projects and the sale of communications equipment. Revenue is stated net of value added tax. Revenue is measured at the fair value of the consideration received or receivable.

On inception of a contract, performance obligations are identified for each of the distinct goods or services that have promised to be provided to the customer. The consideration specified in the contract is allocated to each performance obligation identified based on their relative standalone selling prices and is recognised as revenue as they are satisfied. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a standalone basis by Arqiva or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

Cash received or invoices raised in advance are taken to deferred income and recognised as contract liabilities, and subsequently recognised as revenue when the services are provided. Where consideration received in advance is discounted, reflecting a significant financing component, it is reflected within revenue and interest payable and similar charges on a gross basis. Revenue recognised in advance of cash being received or an invoice being raised is recognised as accrued income within contract assets and subsequently reclassified to receivables once an invoice is raised. Invoices are issued in line with contract terms.

The group does not have any material obligations in respect of returns, refunds or warranties.

The following summarises the performance obligations we have identified and provides information on the timing of when they are satisfied and the related revenue recognition policy. The revenue expected to be recognised in future periods for contracts in place at 30 June 2019 that contain unsatisfied performance obligations is included in note 5.

Rendering of services

Performance obligations under contracts for the rendering of services are identified for each distinct service or deliverable for which the customer has contracted and are considered to be satisfied over the time period that the services or deliverables are delivered. Revenue is recognised over time in line with the service provision over the contractual period and appropriately reflects the pattern by which the performance obligation is satisfied. Such revenues include television and radio transmission services, tower site share charges to mobile network operators, small cells, network provision, media services, and machine-to-machine connectivity.

For long-term services contracts revenue is recognised on a straight-line basis over the term of the contract. However, if the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or network coverage basis. Such revenues include Smart metering network build and service operation.

Pre-contract costs incurred in the initial set up phase of a contract are deferred. These costs are then recognised in the income statement on a straight-line basis over the remaining contractual term, unless the pattern of service delivery indicates a different profile is appropriate. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are assessed for recoverability on a regular basis. Costs related to delivering services under long-term contractual arrangements are expensed as incurred.

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects. Contracts for the delivery of engineering projects are split into specific performance obligations. Performance obligations relating to services are satisfied over the time period that services are delivered, performance obligations relating to the provision of assets are satisfied at the point in time that control passes to the customer. Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, is recognised based on satisfaction of the identified performance obligations using the percentage of completion method. The stage of completion is based on portion of costs incurred as a percentage of total costs. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

A loss on a fixed price contract is recognised immediately when it becomes probable that the contract cost will exceed the total contract revenue.

Sale of communications equipment

Performance obligations from the sale of communications equipment provided as part of customer contracts are satisfied and revenue is recognised at the point in time that control passes to the customer, which is typically upon delivery and acceptance by the customer. In some cases payment is not received in full at the time of the sale, and a contract asset is recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment.

Business combinations, including goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually or where there is indication of impairment.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the asset, on the following bases:

Asset Description	Estimated Useful Life
Licences	Length of the licence period (no more than 20 years)
Development costs	10 years
Access rights	Length of the agreement (no more than 20 years)
Software	5-10 years

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment
Property, plant and equipment are stated at historical purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for tangible assets acquired on acquisition, less accumulated depreciation and any provision for impairment.

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour. Labour costs are capitalised within the cost of an asset to the extent that they are directly attributable to the construction of the asset. The value capitalised captures all elements of employee benefits as defined by IAS 19.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Asset Description	Estimated Useful Life
Freehold buildings	20 – 80 years
Leasehold buildings	Length of lease (typically between 20-80 years)
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over the shorter of their lease term and their expected useful lives (on the same basis as owned assets).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the income statement.

Impairment of non-financial assets
At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life, such as goodwill, is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the impairment relates to goodwill, in which case it cannot be reversed.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss, presented as an 'other gain or loss'.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The Group's ***financial assets*** are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents:

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Impairment of irrecoverable amounts is based on an expected credit loss model.

Contract assets
Contract assets are amounts owed for future services from signed contracts. Revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

The Group's ***financial liabilities*** are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are accounted for on an accruals basis to the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade other payables
Trade and other payables are not interest bearing and are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. They are included in current liabilities, except for maturities greater than 12 months after the reporting date, which are classified as non-current liabilities.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

When the probability that the Group will be required to settle an obligation or a reliable estimate cannot be made of the amount of the obligation the Group discloses a contingent liability in the notes to the financial information.

The Group enters into a variety of ***derivative financial instruments*** to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability.

Fair value measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for leasing transactions that are within the scope of IAS 17, and measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefits

Defined contribution schemes

For defined contribution schemes, the amount charged to the income statement 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 statement of financial position.

Defined benefit schemes

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

The Plan closed to future accrual of benefits on 31 January 2016.

Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note 30) in its consolidated income statement. Curtailments gains and losses are accounted for as a past-service cost.

Net-interest expense or income is recognised within finance income (see note 9).

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is recognised as revenue at the inception of the lease. The associated asset is recognised within cost of sales at the inception of the lease. Receivables 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Operating profit and exceptional items
Operating profit is stated after exceptional items, including restructuring costs, impairment, and after the share of results of associates but before finance income and finance costs.

Exceptional items are those that are considered to be one-off, non-recurring in nature or material, either by magnitude or nature, that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance, for example one-off impairments, redundancy programmes, restructuring and costs related to significant corporate finance activities. The Directors believe the resulting EBITDA represents underlying performance, excluding significant one-off and non-recurring events, that more fairly represents the on-going trading performance of the business. These items are therefore presented separately on the face of the income statement.

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate.

Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the contracted rate if applicable. Any exchange differences arising are taken to the income statement. Transactions in the income statement of overseas operations are translated using an average exchange rate.

Exchange differences on translation of overseas subsidiaries are recognised through the statement of comprehensive income in the Group's translation reserve.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these judgements, estimates and assumptions.

The judgements, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised.

Critical judgements and key sources of estimation uncertainty in applying the Group's accounting policies

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

Critical accounting judgements:

In applying the Group's revenue recognition policy, as set out in note 3, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- the recognition of a significant financing component.

The aforementioned judgements are consistently applied across similar contracts.

Key estimations:

In applying the Group's revenue recognition policy, as set out in note 3, estimations are made in respect of certain areas including:

- measurement of variable consideration;
- in the application of the percentage of completion approach to long-term contractual arrangements which relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion.

Key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase.

Deferred tax

Critical accounting judgements:

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward.

Useful lives for property, plant and equipment and intangibles

Critical accounting estimates:

Depreciation or amortisation is charged to the income statement based upon the useful lives selected. This assessment requires estimation of the period over which the Group will derive benefit from these assets.

Management monitor and assess the appropriateness of useful economic lives, such lives may also be impacted by external market changes. In the event that such a change were to result in a revision of useful economic lives this could result in a change to the annual depreciation charge going forwards. In the theoretical scenario whereby medium and long term useful economic lives of property, plant and equipment were to be reduced by one year the estimated impact on the depreciation charge for the year is approximately £24m, with a reduction in depreciation in later years.

The Group manages its property, plant and equipment on a portfolio basis through a central estates team. This team contains qualified surveyors who have a wealth of experience working for the Group and within the industry as a whole.

The carrying values of intangibles are disclosed in note 15, and those for property, plant and equipment are disclosed in note 16.

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

The identification of such obligations in the context of daily operations which require provisions to be made requires judgement.

Judgement is also required to distinguish between provisions and contingent liabilities.

Key estimations:

Estimates have been made in respect of the probable future obligations of the Group. These estimates are reviewed annually to reflect current economic conditions and strategic plans.

The decommissioning provisions are reviewed annually and are calculated based upon expected costs and past costs incurred on similar sites as determined by site and project management, as well as assessments made by internal experts (see note 26).

Management have estimated the impact of reducing the decommissioning timetable by one year to be £0.2m in relation to the unwinding of provision discounting or, if all site decommissioning was recognised in line with potential earlier expiration dates, a sensitivity of up to £15-20m.

Management also exercises judgement in measuring the exposures to contingent liabilities (see note 28) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Impairment of goodwill

Critical accounting judgements:

The carrying amount of the Group's goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, in compliance with the Group's accounting policies.

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances.

Key estimations:

Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 14.

Fair value measurements and valuation processes

Key estimations

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes, including pension assets and liabilities (see note 30), derivatives (see note 25). A proportion of the Telecoms fixed asset additions are recognised at fair value and are subsequently depreciated over their useful life (see note 16).
In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debt/credit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 14 and 25.

5 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects, and the sale of communications equipment. See note 3 for the accounting policies adopted.

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

Year ended 30 June 2019	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Total £m
Rendering of services	448.3	339.4	123.2	910.9
Engineering projects	43.0	27.9	-	70.9
Sale of goods	-	8.6	-	8.6
Revenue	**491.3**	**375.9**	**123.2**	**990.4**

Year ended 30 June 2018[1]	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Total £m
Rendering of services	445.9	280.5	133.5	859.9
Engineering projects	43.5	51.6	-	95.1
Sale of goods	-	9.2	-	9.2
Revenue	**489.4**	**341.3**	**133.5**	**964.2**

Revenue expected to be recognised in future periods, included in our order book, for performance obligations that are not complete (or are partially complete) as at 30 June 2019 is £4,478.1m (2018: £5,070.4m). The anticipated timing of recognition of this revenue is as follows:

Year ended 30 June 2019	< 1 year £m	1-2 years £m	2 – 5 years £m	5-10 years £m	> 10 years £m	Total £m
Rendering of services	662.0	505.3	1,241.9	1,361.7	636.5	4,407.4
Engineering projects	40.3	6.7	1.1	-	-	48.1
Sale of goods	10.0	2.3	4.4	5.2	0.7	22.6
Revenue	**712.3**	**514.3**	**1,247.4**	**1,366.9**	**637.2**	**4,478.1**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Year ended 30 June 2018	< 1 year £m	1-2 years £m	2 – 5 years £m	5-10 years £m	> 10 years £m	Total £m
Rendering of services	768.8	622.9	1,274.8	1,440.1	858.0	4,964.6
Engineering projects	39.4	36.6	5.9	-	-	81.9
Sale of goods	8.2	3.6	3.7	6.2	2.2	23.9
Revenue	**816.4**	**663.1**	**1,284.4**	**1,446.3**	**860.2**	**5,070.4**

Contract assets and liabilities

The Group has recognised the following assets and liabilities in relation to contracts with customers:

	30 June 2019 £m	30 June 2018[1] £m
Contract assets		
Current	33.5	40.4
Contract liabilities		
Current	176.6	173.4
Non-current	248.6	283.1
	425.2	**456.5**

£236.5m of the contract liability recognised at 30 June 2018 was recognised as revenue during the year. Impairment losses of £0.1m were recognised on contract assets during the year. Other than business-as-usual movements there were no significant changes in contract asset and liability balances during the year.

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a contract. This is presented within other receivables in the balance sheet and totalled £2.3m (2018: £2.5m). Amortisation recognised as a cost of providing services during the year were £0.2m (2018: £0.2m).

Segmental reporting

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

- Terrestrial Broadcast;
- Telecoms & M2M; and
- Satellite and Media.

'Other' segment refers to our corporate business unit, which is non-revenue generating.

Information regarding the nature of these business units is contained on pages 13 to 14 within the Strategic report.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Year ended 30 June 2019	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**491.3**	**375.9**	**123.2**	**-**	**990.4**
Segment result* (EBITDA)	**363.4**	**189.0**	**30.1**	**(55.2)**	**527.3**
Depreciation and amortisation					(199.9)
Other operating expenditure excluded from measuring EBITDA					(0.1)
Exceptional items					(12.5)
Other income					7.5
Operating profit					**322.3**
Finance income					2.4
Finance costs					(354.9)
Other gains and losses					(37.1)
Loss before tax					**(67.3)**

Year ended 30 June 2018[1]	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**489.4**	**341.3**	**133.5**	**-**	**964.2**
Segment result* (EBITDA)	**362.6**	**178.1**	**33.8**	**(55.2)**	**519.3**
Depreciation and amortisation					(183.0)
Other operating expenditure excluded from measuring EBITDA					0.1
Impairment					(4.4)
Exceptional items					(9.5)
Share of results of joint ventures and associates					0.2
Other income					4.6
Operating profit					**327.3**
Finance income					2.0
Finance costs					(367.0)
Other gains and losses					92.4
Profit before tax					**54.7**

*Segment result is defined as total operating profit before the items set out below.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

EBITDA[1] is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to operating profit is provided below:

		Year ended 30 June 2019 £m	Year ended 30 June 2018[2] £m
Operating profit		322.3	327.3
Depreciation	16	184.1	166.3
Amortisation	15	15.8	16.7
Impairment	15, 16	-	4.4
Exceptional items charged to operating profit	7	12.5	9.5
Other income		(7.5)	(4.6)
Share of results of joint ventures and associates	17	-	(0.2)
Other[3]		0.1	(0.1)
EBITDA		**527.3**	**519.3**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segmental result represents the EBITDA earned by each segment without allocation of the central administration costs. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

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

	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other* £m	Consolidated £m
Capital expenditure:					
For the year ended 30 June 2019	55.2	26.1	5.9	35.6	**122.8**
For the year ended 30 June 2018	73.2	48.9	10.2	32.8	**165.1**

*Includes maintenance capex which is managed centrally and not allocated to individual business segments.

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £120.3m (2018: £161.4m) and intangible assets of £2.5m (2018: £3.7m) as referred to in the cash flow statement.

[1] EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. The table above reconciles this adjusted profit measure back to operating profit as presented in the income statement.

[2] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

[3] Includes add-backs for certain profit or loss on disposal of other intangibles and property, plant and equipment and includes deductions for non-interest related finance costs, principally bank charges that are not considered relevant in understanding the underlying performance of the business.

As disclosed in the Business model and business units section of the annual report on page 15, from 1 July 2019 onwards the group will change the reportable operating segments. The following table shows how results reported this year would be split under the new reporting segments:

Year ended 30 June 2019	Media Networks £m	Telecoms & M2M £m	Other £m	Total £m
Rendering of services	571.5	339.4	-	910.9
Engineering projects	43.0	27.9	-	70.9
Sale of goods	-	8.6	-	8.6
Revenue	**614.5**	**375.9**	**-**	**990.4**
EBITDA	**390.0**	**189.0**	**(51.7)**	**527.3**
Capital expenditure	**61.1**	**26.1**	**35.6**	**122.8**

Geographical information

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers:

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
UK	978.8	952.9
Rest of European Economic Area (EEA)	8.1	8.6
Rest of World	3.5	2.7
Revenue	**990.4**	**964.2**

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

	30 June 2019 £m	30 June 2018[1] £m
UK	3,735.2	3,806.7
Rest of European Economic Area (EEA)	2.3	2.6
Rest of World	-	0.8
	3,737.5	**3,810.1**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Information about major customers

Included in the revenues arising from Terrestrial Broadcast are revenues of £141.7m (2018: £139.2m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £156.1m (2018: £163.0m) from a major customer.

No other single customers contributed 10% or more to the Group's revenue in the aforementioned financial years.

6 Operating profit

Operating profit for the year has been arrived at after (crediting) / charging:

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
Net foreign exchange gains	(0.4)	(0.4)
Research and development costs	6.1	4.3
Depreciation of property, plant and equipment:		
Owned assets	183.4	165.8
Assets held under finance lease	0.7	0.5
Profit on disposal of property, plant and equipment	(0.1)	(0.1)
Amortisation of intangible assets	15.8	16.7
Grant income	(16.3)	(13.6)
Operating lease rentals	67.7	61.2
Employee costs (see note 8)	104.0	100.5

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2019 £m	Group Year ended 30 June 2018 £m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.4	0.3
Other audit fees	0.1	0.1
Non-audit services		
Other assurance services	0.3	1.0
Other services	0.1	-
Total cost of services provided by the Group's Auditors	**1.0**	**1.5**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

7 Exceptional items

The Group recognises exceptional items which are considered to be one-off and non-recurring in nature or material items which require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

(Loss) / profit before tax is stated after (charging) / crediting:

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Operating expenses:			
Reorganisation and severance		(13.5)	(1.8)
Corporate finance activities		(1.0)	(7.7)
Profit on disposal of assets		2.0	-
		(12.5)	(9.5)
Other gains and losses:			
Profit on disposal of investments	11	-	0.1
Total exceptional items		**(12.5)**	**(9.4)**

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

Corporate finance activity costs relate to costs associated with one off projects.

Profit on disposal of assets relates to the disposal of the trade and associated assets of a non-core business stream within the Telecoms and M2M business unit.

Profit on disposal of investments in the prior year related to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture.

The amounts included within exceptional items above are deductible for the purpose of taxation.

8 Employees

The average monthly number of persons (representing 'full-time equivalents') employed by the Group during the year was as follows:

	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
UK	1,979	2,049
Non-UK	33	39
Total employees	**2,012**	**2,088**

	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
Terrestrial Broadcast	734	727
Telecoms & M2M	428	480
Satellite and Media	350	376
Corporate functions	500	505
Total employees	**2,012**	**2,088**

Their aggregate remuneration comprised:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	123.2	128.1
Social security costs	12.9	13.1
Other pension costs	10.0	10.8
Total staff costs	146.1	152.0
Own work capitalised	(42.1)	(51.5)
Income statement expense	**104.0**	**100.5**

9 Finance income

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Bank deposits	0.2	0.5
Finance lease interest receivable	0.3	0.2
Other loans and receivables	1.9	1.3
Total finance income	**2.4**	**2.0**

Other loans and receivables includes £0.6m (2018: £0.2m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Interest on bank overdrafts and loans	89.8	97.1
Other loan interest	121.2	131.7
Bank and other loan interest	211.0	228.8
Amortisation of debt issue costs	8.1	10.2
Interest on obligations under finance leases	0.9	1.0
Interest payable to other group entities	112.9	102.6
Other interest	17.9	23.6
Total interest payable	**350.8**	**366.2**
Less amounts included in the cost of qualifying assets	-	(3.5)
Unwinding of discount on provisions (see note 26)	4.1	4.3
Total finance costs	**354.9**	**367.0**

Borrowing costs included in the cost of qualifying assets during the prior year arose on the general borrowing pool and were calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure.

11 Other gains and losses

	Notes	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Foreign exchange (loss) / gain on financing		(9.1)	2.0
Fair value (loss) / gain on derivative financial instruments	25	(13.7)	90.3
Redemption premium on refinancing		(14.3)	-
Other (losses) / gains		**(37.1)**	**92.3**
Exceptional profit on disposal of investments	7, 29	-	0.1
Exceptional other gains		**-**	**0.1**
Total other (losses) / gains		**(37.1)**	**92.4**

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 23).

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Group's derivative financial instruments (see note 25).

12 Tax

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
UK Corporation tax:		
- Current year	(2.6)	(20.1)
- Representation of prior year amount (a)	16.4	-
- Prior year adjustment	1.8	-
Total current tax	15.6	(20.1)
Deferred tax (see note 20):		
- Origination and reversal of temporary differences	(9.2)	29.3
- Change in unrecognised deferred tax assets	21.8	(12.0)
- Recognition of deferred tax asset	-	(226.9)
- Prior period adjustment	(0.6)	-
- Impact of rate change	(0.8)	-
Total deferred tax	11.2	(209.6)
Total tax charge / (credit) for the year	**26.8**	**(229.7)**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'* See note 33 for further information.

UK Corporation tax is calculated at a rate of 19.0% (2018: 19.0%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge / (credit) for the year can be reconciled to the (loss) / profit in the income statement as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
(Loss) / profit before tax on continuing operations	(67.3)	54.7
Tax at the UK Corporation tax rate of 19.0% (2018: 19.0%)	(12.8)	10.4
Tax effect of expenses that are not deductible in determining taxable profit	1.0	2.0
Representation of prior year amount (a)	16.4	-
Change in unrecognised deferred tax assets (b)	21.8	(12.0)
Recognition of deferred tax asset (c)	-	(226.9)
Prior period adjustment	1.2	-
Impact of change in tax rate	(0.8)	(3.2)
Total tax charge / (credit) for the year	**26.8**	**(229.7)**

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

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

(b) Change in unrecognised deferred tax assets includes the changes in the tax losses in the year and deferred tax deductions on interest expenses which have not been recognised as a deferred tax asset.

(c) Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017. The overall effect of these changes, was that certain previously unrecognised deferred tax assets were recognised at 30 June 2018, as a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable.

These relate primarily to financial instruments, fixed asset temporary differences and tax losses.

Tax in Consolidated Statement of Comprehensive Income

There is a tax credit of £0.9m (2018: charge of £1.8m) in respect of the actuarial movement of £(5.1m) (2018: £10.8m) in the Consolidated Statement of Comprehensive Income.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

13 Dividends

	Year ended 30 June 2019		Year ended 30 June 2018	
	£ per share	£m	£ per share	£m
Now Digital (East Midlands) Limited	75.0	0.2	30.0	0.1
Total dividends payable to minority interests		**0.2**		**0.1**

The above amounts represent dividends declared and paid to non-controlling interest shareholders by Group companies. No dividends were paid to ABPL shareholders.

14 Goodwill

	£m
Cost:	
At 1 July 2017 and 1 July 2018	**1,981.0**
Disposals	(1.6)
At 30 June 2019	**1,979.4**
Accumulated impairment losses:	
At 1 July 2017 and 1 July 2018	0.4
Disposals	-
At 30 June 2019	**0.4**
Carrying amount:	
At 30 June 2019	**1,979.0**
At 30 June 2018	1,980.6

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The CGUs that have associated goodwill are Telecoms & M2M and Media Networks. These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

On 23 October 2018, the Group disposed of £1.6m of goodwill in relation to the disposal of non-core assets (and associated contracts) within the Telecoms & M2M CGU.

The carrying value of goodwill as at the balance sheet date by the principal CGUs is shown as follows:

	30 June 2019 £m	30 June 2018 £m
Media Networks	1,340.2	1,340.2
Telecoms & M2M	638.8	640.4
Total	**1,979.0**	**1,980.6**

The above table has been presented under the new reportable operating segments as of 1 July 2019 as this is the basis under which the business forecasts, operating plans and annual impairment model has been prepared.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations ('VIU'). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Projected cash flows and the 'recoverable amount'
The value in use of each CGU is determined from the cash flow forecasts derived from the most recent financial forecasts approved by the Board for the next five years. They reflect management's expectations of revenue, EBITDA growth, capital expenditure and working capital based on past experience and future expectations of performance.

Discount rate
The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.0% (2018: 8.0%).

Terminal growth rates
The terminal growth rate is determined based on the long-term growth rates of the markets in which the CGU operates (2019: 1.5%; 2018: 1.4%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities
There is headroom in all CGUs. No reasonably possible change in the key assumptions would cause the carrying amount of the goodwill by CGU to exceed the recoverable amount based upon the VIU.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017	15.1	13.6	15.4	77.6	121.7
Additions	0.4	3.1	-	0.2	3.7
Transfers from AUC (note 16)	-	2.5	-	21.4	23.9
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	15.5	18.7	15.4	98.3	147.9
Additions	-	2.5	-	-	2.5
Transfers from AUC (note 16)	-	(0.4)	-	2.0	1.6
Disposals	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2019	**15.5**	**20.7**	**15.4**	**100.2**	**151.8**
Accumulated amortisation					
At 1 July 2017	4.5	3.5	15.4	49.4	72.8
Amortisation	1.3	2.6	-	12.8	16.7
Impairment	-	0.2	-	0.6	0.8
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	5.8	5.8	15.4	61.9	88.9
Amortisation	1.3	3.5	-	11.0	15.8
Disposals	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2019	**7.1**	**9.2**	**15.4**	**72.8**	**104.5**
Carrying amount					
At 30 June 2019	**8.4**	**11.5**	**-**	**27.4**	**47.3**
At 30 June 2018	9.7	12.9	-	36.4	59.0

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched.

Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017[1]	337.4	153.5	2,046.1	89.4	2,626.4
Additions	-	-	20.9	150.8	171.7
Completion of AUC	1.4	0.9	104.9	(107.2)	-
Transfers to other intangibles (note 15)	-	-	-	(23.9)	(23.9)
Reclassifications	(0.2)	-	-	0.2	-
Disposals	(0.7)	(1.8)	(49.1)	-	(51.6)
At 30 June 2018[1]	337.9	152.6	2,122.8	109.3	2,722.6
Additions	0.1	-	18.9	112.8	131.8
Completion of AUC	4.2	1.2	119.1	(124.5)	-
Transfers to other intangibles (note 15)	-	-	-	(1.6)	(1.6)
Disposals	-	-	(32.1)	-	(32.1)
At 30 June 2019	342.2	153.8	2,228.7	96.0	2,820.7
Accumulated depreciation					
At 1 July 2017[1]	36.2	56.6	740.6	-	833.4
Depreciation	6.5	4.8	155.0	-	166.3
Impairment	-	-	3.6	-	3.6
Disposals	(0.3)	(1.8)	(49.0)	-	(51.1)
At 30 June 2018[1]	42.4	59.6	850.2	-	952.2
Depreciation	6.4	4.7	173.0	-	184.1
Disposals	-	-	(26.7)	-	(26.7)
At 30 June 2019	48.8	64.3	996.5	-	1,109.6
Carrying amount					
At 30 June 2019	**293.4**	**89.5**	**1,232.2**	**96.0**	**1,711.1**
At 30 June 2018[1]	295.5	93.0	1,272.6	109.3	1,770.4

Freehold land included above but not depreciated amounts to £179.4m (2018: £179.4m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.2m (2018: £5.9m) included within leasehold buildings.

During the year, £nil (2018: £3.5m) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £16.0m (2018: £17.0m).

At 30 June 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £26.4m (2018: £47.8m) – see note 28 for further details.

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £61.4m (2018: £48.6m) and accumulated depreciation of £15.4m (2018: £10.0m). Fair value was determined using observable inputs (fair value hierarchy level 2).

[1] Figures as at 1 July 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 136) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

Share of results of associates and joint ventures was £nil (2018: £0.2m) for the year with the interest in associates and joint ventures being £0.1m (2018: £0.1m).

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited. Consideration received was £5.2m resulting in a £0.1m profit on disposal recognised in other gains and losses as an exceptional item.

There are no other associates or joint ventures that are considered material, either individually or in aggregate, to the Group's position or performance.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Transactions with associates and joint ventures in the year are disclosed in note 31.

18 Trade and other receivables

	30 June 2019 £m	30 June 2018[1] £m
Trade and other receivables		
Trade receivables	85.7	100.4
Amounts receivable from other group entities	35.4	44.7
Other receivables	4.5	7.9
Prepayments	51.6	69.5
Amounts receivable from finance lease arrangements (see note 19)	1.7	2.0
	178.9	**224.5**
Contract assets – accrued income[2]	**33.5**	**40.4**

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2019 £m	30 June 2018 £m
Up to 30 days overdue	5.0	14.7
Up to 90 days overdue	3.1	4.9
Between 91 and 150 days overdue	0.6	0.5
More than 150 days overdue	-	0.1
	8.7	**20.2**

Trade receivables and contract assets are stated after deducting allowances for doubtful debts, as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Allowance at 1 July	7.4	10.8
Amounts utilised	(0.7)	(4.0)
Provided during the year	0.2	0.6
Allowance at 30 June	**6.9**	**7.4**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.
[2] Contract assets relate to accrued income balances. These balances have been reclassified as contract assets on the adoption of IFRS 15.

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets.
To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the five year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors effecting the Group's customers.

The groups' expected loss rate for receivables is between 0.4% and 1.3%. At 30 June 2019 the lifetime expected loss provision for trade receivables and contract assets is as follows:

	Current £m	Up to 30 days overdue £m	Up to 90 days overdue £m	Between 91 and 150 days overdue £m	More than 150 days overdue £m	Total £m
Gross carrying amount						
- Trade receivables	77.3	5.4	3.5	2.1	4.2	92.5
- Contract assets	33.6	-	-	-	-	33.6
Loss provision - Expected	0.5	-	-	-	0.1	0.6
Loss provision - Specific	-	0.4	0.3	1.5	4.1	6.3
	0.5	0.4	0.3	1.5	4.2	6.9

£0.1m of the £6.9m lifetime expected loss provision relates to the contract assets.

In addition to the expected credit loss model, the Group's policy is to also consider a specific provision for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality. For further information on how the Group manages credit risk see note 25.

19 Finance lease receivables

	30 June 2019 £m	30 June 2018 £m
Gross amounts receivable under finance leases:		
Within one year	0.5	0.5
In the second to fifth years inclusive	1.5	1.7
After five years	0.2	0.5
	2.2	2.7
Less: unearned finance income	(0.5)	(0.7)
Present value of minimum lease payments receivable	**1.7**	**2.0**
Net amounts receivable under finance leases:		
Within one year	0.3	0.3
In the second to fifth years inclusive	1.2	1.3
After five years	0.2	0.4
Present value of minimum lease payments receivable	**1.7**	**2.0**
Analysed as:		
Non-current finance lease receivables	1.4	1.7
Current finance lease receivables	0.3	0.3
Total finance leases	**1.7**	**2.0**

The Group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 4.8 years at 30 June 2019 (2018: 5.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2019 is £197.7m (2018: £208.0). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses £m	Accelerated tax depreciation £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 July 2017	-	-	-	-	-
Credited to the income statement[1]	15.8	34.3	152.5	8.9	211.5
At 30 June 2018[1]	15.8	34.3	152.5	8.9	211.5
Credited / (charged) to the income statement	(0.8)	(9.4)	1.5	(1.4)	(10.1)
At 30 June 2019	**15.0**	**24.9**	**154.0**	**7.5**	**201.4**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Deferred tax liabilities	Retirement benefits £m	Total £m
At 1 July 2017	-	-
Charged to the income statement	1.7	1.7
Charged to the statement of comprehensive income	1.8	1.8
At 30 June 2018	3.5	3.5
Charged to the income statement	1.1	1.1
Credited to the statement of comprehensive income	(0.9)	(0.9)
At 30 June 2019	**3.7**	**3.7**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. The Group has an unrecognised deferred tax asset of £72.0m (2018: £52.3m). This is in respect of tax losses of £32.0m (2018: £31.8m) and deferred interest expenses of £40.0m (2018: £20.5m). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 17.0% (2018: 17.0%); the rate substantively enacted at the balance sheet date effective from 1 April 2020, which is the rate at which the deferred tax balances are forecast to unwind.

No deferred tax liability is recognised on temporary differences of £nil (2018: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017.

Due to the impact of these changes, significant previously unrecognised deferred tax assets were assessed as being recoverable during the year ended 30 June 2018. This was a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable.

A net deferred tax asset of £208.0m was therefore recognised as at 30 June 2018. This asset relates primarily to financial instruments, fixed asset temporary differences and tax losses.

There remains an unrecognised deferred tax asset of £72.0m (2018: £31.8m). This asset has not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group.

The forecasts used for deferred tax asset recognition are the same as those used in the Group's impairment testing. It is not considered probable that the remaining unrecognised deferred tax asset can be utilised by the Group in the foreseeable future. The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

21 Cash and cash equivalents

	30 June 2019	30 June 2018
	£m	£m
Cash at bank	6.3	6.2
Short term deposits	8.6	4.1
Restricted cash	-	28.5
Total cash and cash equivalents	**14.9**	**38.8**

22 Trade and other payables

	30 June 2019	30 June 2018[1]
	£m	£m
Current		
Trade and other payables		
Trade payables	47.5	61.4
Amounts payable to other group entities	1,181.8	1,079.2
Taxation and social security	20.6	23.5
Other payables	5.3	18.1
Accruals	92.5	102.4
	1,347.7	**1,284.6**
Contract Liabilities – deferred income[2]	**176.6**	**173.4**
Non-current		
Contract Liabilities – deferred income[2]	**248.6**	**283.1**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

[2] Contract liabilities relate to deferred income balances. These balances have been reclassified as contract liabilities on the adoption of IFRS 15.

23 Borrowings

	Denominated currency	30 June 2019 £m	30 June 2018 £m
Within current liabilities:			
Bank loans			
- Senior debt	Sterling	20.0	-
Finance lease obligations (see note 24)	Sterling	0.8	0.7
Bank facility	Sterling	35.0	55.0
Senior bonds and notes (amortising)	Sterling	413.8	58.1
	US Dollar	29.6	19.1
Accrued interest on junior and senior financing[1]	Sterling	14.9	19.0
Borrowings due within one year		**514.1**	**151.9**
Within non-current liabilities:			
Bank loans		**368.3**	**441.7**
- Senior debt	Sterling	370.0	445.0
- Issue costs	Sterling	(1.7)	(3.3)
Other loans		**1,970.3**	**2,367.5**
- Senior bonds, notes and private placements	Sterling	1,116.0	1,524.1
	US Dollar	242.8	253.8
- Junior bonds	Sterling	625.0	600.0
- Issue costs	Sterling	(13.5)	(10.4)
Amounts payable to other group entities	Sterling	**45.2**	**45.2**
Finance lease obligations (see note 24)	Sterling	**11.6**	**12.4**
Borrowings due after more than one year		**2,395.4**	**2,866.8**
Analysis of total borrowings by currency:			
Sterling		2,637.1	2,745.8
US Dollar		272.4	272.9
Total borrowings		**2,909.5**	**3,018.7**

Included within the £2,909.5 (2018: £3,018.7) are debt issue costs of £15.2m (2018: £13.7m). Total borrowings excluding these amounts are £2,924.7m (2018: £3,032.4m) which comprises debt principal and interest, the maturity of which is included in the table below.

[1] The balance at 30 June 2019 includes £7.6m (2018: £7.3m) interest receivable under swap arrangements associated with the underlying financing.

	30 June 2019 £m	30 June 2018 £m
Borrowings falling due within:		
One year	514.1	151.9
One to five years	1,523.2	1,498.7
More than five years	887.4	1,381.8
Total	**2,924.7**	**3,032.4**

The weighted average interest rate of borrowings is 7.31% (2018: 7.89%).

Bank loans form part of the Group's **senior debt**. **Other loans** comprise the Group's **senior bonds and notes** and **junior bonds**.

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

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

In addition, there is a further £534m of borrowings with legal expected maturity dates between 2023 and 2030 which also benefit from such provisions with legal backstop maturity dates between 2037 and 2038. These balances are disclosed as falling due in-line with the earlier legal expected maturity date.

A summary of the movement in borrowings during the financial year is given below:

Borrowings:	Reference	At 1 July 2018 £m	Amounts drawn down £m	Amounts repaid £m	Revaluations £m	At 30 June 2019 £m
Bank loans – working capital facility	(a)	55.0	-	(20.0)	-	35.0
Senior debt – institutional term loan	(b)	180.0	-	-	-	180.0
Senior debt – European Investment Bank	(c)	190.0	-	-	-	190.0
Senior debt – bank term loan	(d)	75.0	-	(55.0)	-	20.0
Senior bonds, notes and US private placement	(e)	1,855.1	-	(62.2)	9.3	1,802.2
Junior bonds	(f)	600.0	625.0	(600.0)	-	625.0
Total bank loans and private placements		**2,955.1**	**625.0**	**(737.2)**	**9.3**	**2,852.2**
Finance lease obligations	(g)	13.1	-	(0.7)	-	12.4
Amounts payable to other group entities		45.2	-	-	-	45.2
Total borrowings		**3,013.4**	**625.0**	**(737.9)**	**9.3**	**2,909.8**

The Group's borrowings outlined in the table above incorporate:

(a) capital expenditure and working capital facilities (2019: £35.0m outstanding; 2018: £55.0m) with an expected maturity date of March 2021. Both of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £605.0m (2018: £585.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

(b) an institutional term loan (2019: £180.0m outstanding; 2018: £180.0m) with an expected maturity date of December 2023

(c) a loan from the European Investment Bank (2019: £190.0m outstanding; 2018: £190.0m) with an expected maturity date of June 2024

(d) a bank term loan (2019: £20.0m outstanding; 2018: £75.0m) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available);

(e) a combination of publicly listed bonds and US private placement notes.

As at 30 June 2019, the Group has £874.0m (2018: £900.7m) sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2019 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £498.5m (2018: £518.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2019 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

In addition, the Group has issued £429.8m (2018: £435.9m) of fixed rate US private placements in sterling and US dollar denominated notes. At the hedged rate these are valued at £384.6m (2018: 398.5m). These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £965.7m (2018: £989.1m) whilst their carrying value was £874.0m (2018: £900.7m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £456.1m (2018: £464.4m) whilst their carrying value was £429.8m (2018: £435.9m).

The remaining £498.5m (2018: £518.5m) of senior debt relates to other unquoted borrowings.

The directors consider the fair value of all other un-quoted borrowings to be a close approximate to their carrying amount.

(f) Junior bonds of £625.0m represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 6.75% and are repayable in September 2023. These notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. These junior bonds were refinanced in October 2018 from the previously held bonds of £600.0m at 9.5%, which were repayable in March 2020. The Group continues to comply with all covenant requirements.

The fair value of the quoted junior bonds based upon observable market prices (fair value hierarchy level 1) was £673.2m (2018: £627.7m) whilst their carrying value was £625.0m (2018: £600.0m).

(g) obligations under finance leases are as defined within note 24.

The Group's senior bonds and notes are structured within a Whole Business Securitisation package (WBS). These instruments have covenants attached, principally an interest cover ratio and a debt leverage ratio. The Group continues to comply with all covenant requirements.

There have been no breaches of the terms of the loan agreements during the current or previous year.

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2019 £m	30 June 2018 £m
Within one year	1.7	1.7
In more than one year, but not more than five years	6.4	6.5
After five years	10.1	11.7
Total gross payments	**18.2**	**19.9**
Less finance charges included above	(5.8)	(6.8)
Total obligations under finance leases	**12.4**	**13.1**
Analysed as:		
Net amounts due for settlement within one year	0.8	0.7
Net amounts due for settlement after one year	11.6	12.4
Total obligations under finance leases	**12.4**	**13.1**

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Financial instruments and risk management

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (as set out in note 27; see note 21 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

Levels of debt are maintained on an ongoing basis to ensure that no breaches occur and repayments can be and are made as necessary with refinancings carried out as required.

Significant accounting policies
Details of significant accounting policies and methods adopted (including criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in full in note 3.

The Group's derivatives (i.e. interest rate swaps and cross-currency swaps) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement within 'other gains and losses'. Net amounts paid in the year (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs.

Financial risk management
The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The treasury function reports directly into the Chief Financial Officer and the

Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- Interest rate swaps, including inflation-linked interest rate swaps to mitigate the risk of movement in interest rates;
- Cross-currency swaps to mitigate the risk of currency exposures on foreign denominated borrowings; and
- Forward foreign exchange contracts to manage exchange risks arising from transactional foreign exchange exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management

The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly US dollars ('USD') and Euro), the majority of the Group's revenue and costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

Foreign currency exchange risk can be subdivided into two components, transactional risk and translation risk:

Transactional risk: The Group's policy is to hedge material transactional currency exposures via the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group–wide basis.

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only (0.7)% (2018: (0.3)%) of operating profit and 0.1% (2018: 0.3%) of total assets for the Group.

The Sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged US dollar-denominated borrowings) at the year-end were as follows:

	30 June 2019 £m	30 June 2018 £m
Monetary assets:		
- US Dollar	3.0	3.7
- Euro	12.3	9.2
- Other (including SGD*)	1.4	1.0
Total	**16.7**	**13.9**
Monetary liabilities:		
- US Dollar	(0.3)	(0.6)
- Euro	(4.2)	(5.2)
- Other (including SGD*)	-	(0.1)
Total	**(4.5)**	**(5.9)**

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2018: 0.0%).

During the year cross currency swaps (nominal value USD 345.5m, 2018: USD 358.0m) were used to fix the exchange rate to $1.52/£1 in relation to US dollar-denominated senior notes (nominal value USD 345.5m, 2018: USD 358.0m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations.

After taking into account our hedging activities, management does not consider there to be a material residual exposure to exchange rates. Accordingly no sensitivity analysis has been presented.

Interest rate risk management
The Group has variable rate bank and US private placement debt and uses interest rate swaps ('IRS') and inflation-linked swaps ('ILS') to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. The Group has fixed rate hedging, split between IRS and ILS. IRS convert variable rate interest costs to fixed rate interest costs while ILS convert fixed or variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a portion of the Group's revenue contracts. These swaps are entered into on terms (including maturity) that mirror the debt instrument they hedge, and therefore act as an effective economic hedge.

As the Group uses hedging to maintain fixed interest rates on all of its material borrowings (excluding revolving facilities), there is minimal exposure on the interest expense to interest rate movements. A rise or fall in interest rates would therefore not materially impact the interest expense payable by the Group.

Liquidity risk management
To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. The Group carefully manages the counterparty 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 counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

The Group is due to repay or refinance £2.0bn of debt in the next 5 years to 30 June 2024. Regular reviews are performed to assess headroom between interest and capital repayments against forecast cash flows, thus monitoring the liquidity risk and the Group's ability to repay the debt.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities. The amounts presented in respect of the non-derivative financial liabilities represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position. The amounts presented in respect of the Group's derivative financial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

30 June 2019	Amounts falling due Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m	Effect of discounting £m	Interest to be incurred in future periods £m	Total financial liability per statement of financial position £m
Trade payables	47.5	-	-	-	47.5	-	-	**47.5**
Provisions	8.0	0.8	1.6	178.1	188.5	(108.7)	-	**79.8**
Borrowings**	499.2	119.5	1,403.7	887.4	2,909.8	-	-	**2,909.8**
	554.7	**120.3**	**1,405.3**	**1,065.5**	**3,145.8**	**(108.7)**	**-**	**3,037.1**
Interest on borrowings	125.8	107.0	255.9	142.6	631.3	-	(616.4)	**14.9**
Interest rate swaps	51.8	49.9	129.3	65.5	296.5	(20.6)	-	**275.9**
Inflation linked interest rate swaps	139.8	98.6	330.8	350.2	919.4	(152.0)	-	**767.4**
Cross-currency swaps	(5.2)	(9.2)	(25.5)	(10.6)	(50.5)	9.0	-	**(41.5)**
	186.4	**139.3**	**434.6**	**405.1**	**1,165.4**	**(163.6)**	**-**	**1,001.8**
Total financial liability	**866.9**	**366.6**	**2,095.8**	**1,613.2**	**4,942.5**	**(272.3)**	**(616.4)**	**4,053.8**

**Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

Included within borrowings due within one year are annual amortising debt repayments together with £350m of senior notes with an expected maturity of June 2020, the refinancing of which is disclosed in note 23.

	Amounts falling due							
30 June 2018	**Within one year**	**Between one and two years**	**Between two and five years**	**After five years**	**Total**	**Effect of discounting**	**Interest to be incurred in future periods**	**Total financial liability per statement of financial position**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade payables	61.4	-	-	-	61.4	-	-	**61.4**
Provisions	3.2	1.2	3.6	169.1	177.1	(109.5)	-	**67.6**
Borrowings**	133.2	1,102.2	393.3	1,327.5	2,956.2	-	-	**2,956.2**
	197.8	**1,103.4**	**396.9**	**1,496.6**	**3,194.7**	**(109.5)**	**-**	**3,085.2**
Interest on borrowings	141.5	125.5	185.8	225.6	678.4	-	(664.4)	**14.0**
Interest rate swaps	58.1	49.1	127.0	91.1	325.3	(27.6)	-	**297.7**
Inflation linked interest rate swaps	84.4	85.9	284.1	427.4	881.8	(126.7)	-	**755.1**
Cross-currency swaps	(4.1)	(4.0)	(20.4)	(14.4)	(42.9)	20.9	-	**(22.0)**
	138.4	**131.0**	**390.7**	**504.1**	**1,164.2**	**(133.4)**	**-**	**1,030.8**
Total financial liability	**477.7**	**1,359.9**	**973.4**	**2,226.3**	**5,037.3**	**(242.9)**	**(664.4)**	**4,130.0**

**Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

The table below outlines the additional financing facilities available to the Group:

	30 June 2019	**30 June 2018**
	£m	**£m**
Secured bank facilities:		
- Amount utilised	35.0	55.0
- Amount unutilised	605.0	585.0
Total	**640.0**	**640.0**

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Credit risk management

The Group is exposed to credit risk on customer receivables, which is managed through 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. Expected impairment for trade receivables are calculated on historical default rates. Details of this provision are shown in note 18.

Financial instruments

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

The weighted average interest rate of fixed rate financial liabilities at 30 June 2019 was 5.3% (2018: 6.1%) and the weighted average period of funding was 4.6 years (2018: 5.0 years).

Within the Group's financial liabilities were borrowings of £2,894.6m (2018: £2,999.6m) (see note 23), which includes £923.5m (2018: £1,038.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £14.9m (2018: £38.8m) and loans and receivables of £178.9m (2018: £218.8m) as presented in notes 21 and 18 respectively.

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

At the year end, the Group held interest rate swaps with notional amounts of £873.5m (2018: £976.5m) which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.8% (2018: 7.0%). The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

The Group has also entered into index linked swaps (notional amounts of £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.906% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2019 (£44.3m; 2018: £58.6m). All of these instruments have a maturity date of April 2027 except for a notional amount of £235.0m which have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 345.5m (2018: USD 358.0m) of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2019 is a liability of £1,001.8m (2018: £1,030.8m). This fair value is calculated using a risk-adjusted discount rate.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2019 £m	30 June 2018 £m
Interest rate swaps	(275.9)	(297.7)
Inflation-linked interest rate swaps	(767.4)	(755.1)
Cross-currency swaps	41.5	22.0
Total	**(1,001.8)**	**(1,030.8)**
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	(7.9)	106.3
- Attributable to changes in perceived credit risk	(5.8)	(16.0)
Total (loss) / gain recognised in the income statement	**(13.7)**	**90.3**
Cash settlement of principal accretion on inflation-linked swaps	44.3	58.6
Cash inflow on redemption of swaps	(1.6)	-
Total change in fair value	**29.0**	**148.9**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

26 Provisions

	Decommissioning	Restructuring	Remediation	Other	Total
	£m	£m	£m	£m	£m
At 1 July 2018	**60.7**	**0.2**	**5.2**	**1.5**	**67.6**
Income statement expense	0.5	5.4	-	0.7	6.6
Additions created through property, plant and equipment	4.9	-	-	-	4.9
Unwind of discount	3.7	-	0.4	-	4.1
Released	(1.1)	-	(0.2)	-	(1.3)
Utilised	(0.2)	(1.8)	(0.1)	-	(2.1)
At 30 June 2019	**68.5**	**3.8**	**5.3**	**2.2**	**79.8**

	30 June 2019	30 June 2018
	£m	£m
Analysed as:		
Current	6.2	2.8
Non-current	73.6	64.8
	79.8	**67.6**

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision is in relation to assets of which the remaining useful economic life ranges up to 18 years.

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

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 one to ten years.

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

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
Operating profit	322.3	327.3
Adjustments for:		
Depreciation of property, plant and equipment	184.1	166.3
Amortisation of intangible assets	15.8	16.7
Impairment charges	-	4.4
(Profit) / loss on disposal of property, plant and equipment	(0.1)	0.1
Other income	(7.5)	(4.6)
Share of results of associates and joint ventures	-	(0.2)
Operating cash flows before movements in working capital	514.6	510.0
Decrease in receivables	48.8	4.5
(Decrease) / increase in payables	(79.2)	70.3
Increase / (decrease) in provisions	2.7	(12.6)
Cash generated from operating activities	**486.9**	**572.2**
Taxes paid	(0.2)	(0.1)
Net cash from operating activities	**486.7**	**572.1**

Analysis of changes in financial liabilities:

	At 1 July 2018 £m	Changes in financing cash flows (Cash) £m	Changes in foreign exchange (Non-cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 30 June 2019 £m
Current borrowings (Note 23)	132.9	(83.0)	-	-	449.3	499.2
Non-current borrowings (Note 23)	2,866.8	(37.7)	9.3	-	(443.0)	2,395.4
Accrued interest on borrowings (Note 23)	19.0	(218.6)	(0.2)	-	214.7	14.9
Derivative financial instrument Liabilities (Note 25)	1,030.8	(42.7)	-	13.7	-	1,001.8
Total	4,049.5	(382.0)	9.1	13.7	221.0	3,911.3

The movements above do not include issue costs associated with entering the borrowing arrangements (see note 23).

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

28 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	30 June 2019 £m	30 June 2018 £m
Within one year	25.7	45.4
Within two to five years	0.7	2.4
Total capital commitments	**26.4**	**47.8**

Operating leases

Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2019 £m	30 June 2018 £m
Within one year	48.0	33.9
Within two to five years	119.5	96.0
After five years	76.8	131.6
Total future minimum operating lease payments	**244.3**	**261.5**

Other annual lease commitments fall due:

	30 June 2019 £m	30 June 2018 £m
Within one year	1.2	1.1
Within two to five years	1.8	1.9
Total future minimum operating lease payments	**3.0**	**3.0**

In addition, the Group has various service supply agreements for circuits connectivity which amount to £24.0m per annum (2018: £24.0m).

29 Disposal of business

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

30 Retirement benefits

Defined contribution scheme
Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £10.0m (2018: £10.8m). The assets of the Scheme are held outside of the Group.

An amount of £1.3m (2018: £1.3m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan
In the year to 30 June 2019, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The Trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The Trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 19 years.

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

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2019	30 June 2018
Key assumptions		
Discount rate	2.40%	2.80%
Price inflation (RPI)	3.20%	3.00%
Life expectancy of a male / female age 60 (current pensioner)	26.0yrs / 28.1yrs	26.6yrs / 28.6yrs
Life expectancy of a male / female age 60 (future pensioner)	27.6yrs / 29.7yrs	28.1yrs / 30.2yrs
Other linked assumptions		
Price inflation (CPI)	2.10%	1.90%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.70%	3.60%
Pension increases (RPI with a maximum of 10%)	3.20%	3.00%
Salary growth	n/a	n/a

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Components of defined benefit costs recognised in profit or loss	0.6	0.2
	0.6	**0.2**

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

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Return on Plan assets excluding Interest Income	20.2	1.8
Experience gains arising on the Plan's liabilities	0.2	4.4
Actuarial (losses) / gains arising from changes in financial assumptions	(24.8)	3.3
Actuarial (losses) / gains arising from changes in demographic assumptions	(0.7)	1.3
	(5.1)	**10.8**

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

	30 June 2019 £m	30 June 2018 £m
Fair value of Plan assets	259.4	239.0
Present value of defined benefit Plan liabilities	(237.4)	(218.4)
Surplus at 30 June	**22.0**	**20.6**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Surplus at 1 July	20.6	7.1
Amount recognised in profit or loss	0.6	0.2
Amount recognised in Other Comprehensive Income	(5.1)	10.8
Company contributions	5.9	2.5
Surplus at 30 June	**22.0**	**20.6**

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
1 July	(218.4)	(234.0)
Contributions by employees	(0.9)	(0.7)
Interest cost	(5.9)	(6.4)
Benefits paid	13.1	13.7
Experience gains arising on the Plan's liabilities	0.2	4.4
Actuarial (losses) / gains arising from changes in financial assumptions	(24.8)	3.3
Actuarial (losses) / gains arising from changes in demographic assumptions	(0.7)	1.3
30 June	**(237.4)**	**(218.4)**

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
1 July	239.0	241.1
Interest income	6.6	6.6
Return on Plan assets excluding interest income	20.1	1.8
Contributions by employer	5.9	2.5
Contributions by employees	0.9	0.7
Benefits paid	(13.1)	(13.7)
30 June	**259.4**	**239.0**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2019 £m	30 June 2018 £m
Equity instruments	92.1	85.5
Diversified growth funds	19.4	18.8
Corporate bonds	19.7	20.0
Government bonds	127.7	112.2
Cash and equivalents	0.5	2.5
Total	**259.4**	**239.0**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the funding valuation as at 30 June 2017, Arqiva Limited agreed to pay deficit contributions of £3.4m in October 2018, and a further £5.4m is due by 31 July 2019.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2019 year end results to changes in the three key assumptions is shown below:

Funding Position	**Discount rate decrease of 0.1%**	**RPI increase of 0.1%**	**Longevity assumption increase of +1 year**
Increase in Plan liabilities	£5.0m	£3.5m	£7.8m

The sensitivity of the 2018 year end results to changes in the three key assumptions is shown below:

Funding Position	**Discount rate decrease of 0.1%**	**RPI increase of 0.1%**	**Longevity assumption increase of +1 year**
Increase in Plan liabilities	£4.2m	£3.1m	£6.4m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with the Group's pension scheme are disclosed in note 30. Transactions between the Group and its associates, joint ventures and entities under common influence are disclosed below.

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

Trading transactions

During the year ended 30 June 2019 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2019 £m	**Year ended 30 June 2018 £m**	**Year ended 30 June 2019 £m**	**Year ended 30 June 2018 £m**
Associates	-	-	6.3	6.6
Joint ventures	3.9	3.5	2.5	2.3
Entities under common influence	-	0.9	-	0.7
Other group entities	72.1	40.0	-	-
	76.0	**44.4**	**8.8**	**9.6**

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

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

As at 30 June 2019 the amount payable to joint ventures was £0.2m (2018: £0.2m).

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

As at 30 June 2019, the amounts receivable from and payable to other group entities are disclosed in notes 18 and 22 respectively.

Remuneration of Directors and key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Short-term employee benefits	4.6	4.1
Termination benefits	0.9	1.1
Post-employment benefits	0.2	0.3
	5.7	**5.5**

One member of the Directors and key management personnel (2018: one) is a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 134.

32 Controlling parties

The Company's immediate parent is Arqiva Financing No. 3 Plc ('AF3'). Copies of the AF3 financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is Arqiva Group Limited ('AGL') which is the parent undertaking of the largest group to consolidate these financial statements.

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

AGL 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.

33 Effects of changes in accounting policies

The Group adopted IFRS 9 and IFRS 15 with a transition date of 1 July 2017. As a result of the adoption of IFRS 15 and the changes in the revenue accounting policy, prior year financial statements were restated. The adoption of IFRS 9 has not impacted the figures previously reported.

The following tables show the adjustments recognised for each line item of the financial statements affected.

	Adjustments	30 June 2018 As originally Presented £m	IFRS 15 £m	**30 June 2018 As restated £m**
Revenue	a, b	962.4	1.8	**964.2**
Cost of sales		(323.0)	-	**(323.0)**
Gross profit		**639.4**	1.8	**641.2**
Depreciation	b	*(163.7)*	*(2.6)*	***(166.3)***
Amortisation		*(16.7)*	-	***(16.7)***
Impairment		*(4.4)*	-	***(4.4)***
Other operating expenses		*(131.3)*	-	***(131.3)***
Total operating expenses		(316.1)	(2.6)	**(318.7)**
Other income		4.6	-	**4.6**
Share of results of associates and joint ventures		0.2	-	**0.2**
Operating profit		**328.1**	(0.8)	**327.3**
Finance income		2.0	-	**2.0**
Finance costs		(367.0)	-	**(367.0)**
Other gains and losses		92.4	-	**92.4**
Loss before tax		**55.5**	(0.8)	**54.7**
Tax	c	227.8	1.9	**229.7**
Profit/(loss) for the year		**283.3**	**1.1**	**284.4**
Attributable to:				
Owners of the Company		282.9	1.1	284.0
Non-controlling interests		0.4	-	0.4
		283.3	1.1	**284.4**

There was no further impact on other comprehensive income as a result of the adoption of IFRS 15 '*Revenue from contracts with customers*'.

	Adjustments	30 June 2018 As originally Presented £m	IFRS 15 £m	**30 June 2018 As restated £m**
Non-current assets				
Goodwill		1,980.6	-	1,980.6
Other intangible assets		59.0	-	59.0
Property, plant and equipment	b	1,750.2	20.2	1,770.4
Deferred tax		206.1	1.9	208.0
Retirement benefits		20.6	-	20.6
Interest in associates and joint ventures		0.1	-	0.1
		4,016.6	**22.1**	**4,038.7**
Current assets				
Trade and other receivables	b, d	288.3	(63.8)	224.5
Contract assets	d	-	40.4	40.4
Cash and cash equivalents		38.8	-	38.8
		327.1	**(23.4)**	**303.7**
Total assets		**4,343.7**	**(1.3)**	**4,342.4**
Current liabilities				
Trade and other payables	a	(1,457.6)	173.0	(1,284.6)
Contract liabilities	d	-	(173.4)	(173.4)
Borrowings		(151.9)	-	(151.9)
Provisions		(2.8)	-	(2.8)
		(1,612.3)	**(0.4)**	**(1,612.7)**
Net current liabilities		**(1,285.2)**	**(23.8)**	**(1,309.0)**
Non-current liabilities				
Other payables (including deferred revenue)	d	(276.5)	276.5	-
Contract liabilities	a, d	-	(283.1)	(283.1)
Borrowings		(2,866.8)	-	(2,866.8)
Derivative financial instruments		(1,030.8)	-	(1,030.8)
Provisions		(64.8)	-	(64.8)
		(4,238.9)	**(6.6)**	**(4,245.5)**
Total liabilities		**(5,851.2)**	**(7.0)**	**(5,858.2)**
Net liabilities		**(1,507.5)**	**(8.3)**	**(1,515.8)**
Equity				
Share capital		0.1	-	0.1
Accumulated losses	a,b,c	(1,437.2)	(8.3)	(1,445.5)
Merger reserve		(188.5)	-	(188.5)
Capital contribution reserve		120.3	-	120.3
Translation reserve		(3.1)	-	(3.1)
Total equity attributable to owners of the Parent		(1,508.4)	(8.3)	(1,516.7)
Non-controlling interest		0.9	-	0.9
Total equity		**(1,507.5)**	**(8.3)**	**(1,515.8)**

	Adjustments	1 July 2017 As originally Presented £m	IFRS 15 £m	**1 July 2017 As restated £m**
Non-current assets				
Goodwill		1,980.6	-	1,980.6
Other intangible assets		48.9	-	48.9
Property, plant and equipment	b	1,770.2	22.8	1,793.0
Deferred tax		-	-	-
Retirement benefits		7.1	-	7.1
Interest in associates and joint ventures		5.1	-	5.1
		3,811.9	**22.8**	**3,834.7**
Current assets				
Trade and other receivables	b, d	289.9	(71.7)	218.2
Contract assets	d	-	47.0	47.0
Cash and cash equivalents		35.6	-	35.6
		325.5	**(24.7)**	**300.8**
Total assets		**4,137.4**	**(1.9)**	**4,135.5**
Current liabilities				
Trade and other payables	a	(1,390.8)	210.6	(1,180.2)
Contract liabilities	d	-	(211.0)	(211.0)
Borrowings		(113.7)	-	(113.7)
Provisions		(18.8)	-	(18.8)
		(1,523.3)	**(0.4)**	**(1,523.7)**
Net current liabilities		**(1,197.8)**	**(25.1)**	**(1,222.9)**
Non-current liabilities				
Other payables (including deferred revenue)	d	(159.4)	159.4	-
Contract liabilities	a, d	-	(166.5)	(166.5)
Borrowings		(3,017.9)	-	(3,017.9)
Derivative financial instruments		(1,179.7)	-	(1,179.7)
Provisions		(57.0)	-	(57.0)
		(4,414.0)	**(7.1)**	**(4,421.1)**
Total liabilities		**(5,937.3)**	**(7.5)**	**(5,944.8)**
Net liabilities		**(1,799.9)**	**(9.4)**	**(1,809.3)**
Equity				
Share capital		0.1	-	0.1
Accumulated losses	a,b,c	(1,729.1)	(9.4)	(1,738.5)
Merger reserve		(188.5)	-	(188.5)
Capital contribution reserve		120.3	-	120.3
Translation reserve		(3.3)	-	(3.3)
Total equity attributable to owners of the Parent		(1,800.5)	(9.4)	(1,809.9)
Non-controlling interest		0.6	-	0.6
Total equity		**(1,799.9)**	**(9.4)**	**(1,809.3)**

The impact on the groups accounting policies and the nature of the adjustments resulting from the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* are described below:

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)

IFRS 15 has replaced IAS 18 *Revenue (IAS 18)* and IAS 11 *Construction Contracts* as well as various interpretations previously issued by the IFRS Interpretations Committee. It has impacted the Group in the following ways:

a) Under IFRS 15 certain contracts are captured by the 'variable consideration' rules and a change in total transaction price is therefore adjusted retrospectively.
b) Under IFRS 15 certain contracts have been assessed under different distinct performance obligations. Treatment of the costs and revenue associated should therefore be aligned with the rest of the contract resulting in the associated costs being capitalised and revenue recognised over the duration of the contract.
c) Tax impact of adjustments noted.
d) The company has changed the presentation of certain amounts in the statement of financial position to reflect the terminology of IFRS 15. Accrued income of £63.8m (2017: £71.7m) has been reclassified as contract assets being the right to consideration in exchange for goods or services that the entity has transferred to a customer, when that right is conditioned on something other than the passage of time. Deferred income of ££173.0m (2017: £210.6m) (current) and £276.5m (2017: £159.4m) (non-current) has been reclassified as contract liabilities being the obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

The Group chose to adopt IFRS 15 on a fully retrospective basis, enabling it to take advantage of the following transitional provisions:

- Completed contracts have not been restated. Completed contracts are those contracts which:
  - began and ended within the same annual reporting period; or
  - were completed by 30 June 2017.
- For completed contracts that have variable consideration, the transaction price at the date the contract was completed has been used instead of estimating variable consideration amounts in comparative periods.
- When identifying satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to performance obligations, the Group has considered only the aggregate effect of all contract modifications made before 1 July 2018.

IFRS 9 *Financial Instruments* (IFRS 9)

IFRS 9 has changed the rules concerning the classification, measurement and recognition of financial assets and financial liabilities, introduced new rules for hedge accounting and debt modifications and a new impairment model for financial assets.

Prior to the implementation of IFRS 9 the majority of the Groups assets and liabilities were classified as fair value through profit or loss or amortised cost, the adoption of IFRS 9 has not changed the classification of the groups assets and liabilities and as such there has been no impact on these balances upon implementation.

Refinancings undertaken by the group have been reviewed and any changes in debt have been determined to be debt extinguishments and new debt rather than modified terms of existing debt. As such there has been no impact of the adoption of IFRS 9 on this area of the financial statements.

The new impairment model under IFRS 9 requires the recognition of impairment provisions against financial assets based on an expected credit loss model rather than incurred credit losses as previously required. We have revised the methodologies we use to impair financial assets to reflect the forward-looking 'expected credit loss' model introduced by IFRS 9, in contrast to the backward-looking 'incurred credit loss' model used under IAS 39. As a result, we now recognise a loss allowance for all expected credit losses on initial recognition of financial assets, including trade receivables and the contract assets recognised on transition to IFRS 15. The groups' expected loss rate for receivables is between 0.4% and 1.3%. The new impairment model does not require retrospective application and therefore has not impacted the results previously reported.

Directors' report for Arqiva Broadcast Parent Limited ('the Company')

The Directors of Arqiva Broadcast Parent Limited, registered company number 08085823, ('the Company') submit the following annual report and financial statements in respect of the year ended 30 June 2019.

Business review and principal activities

The Company acts as holding company with investments in a group of operating companies, financing companies and other holding companies ('the Group').

The Company has a result for the financial year of £nil (2018: £nil) and net assets of £3,301.6m (2018: £3,301.6m).

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company, the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 46 to 50.

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 27 and 28.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2018: nil).

Financial risk management

Due to the straightforward nature of the Company's operations, it is exposed to limited financial risks. The Group's financial risk management programme is detailed on pages 51 to 52.

Future developments and going concern

It is the intention of the Company to continue to act as the Group's ultimate holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resource of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

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

Mike Parton
Mark Braithwaite
Christian Seymour
Peter Adams (alternate)
Damian Walsh (resigned 10 September 2018)
Nathan Luckey
Sally Davis
Deepu Chintamaneni (alternate) (resigned 30 November 2018)
Paul Dollman (resigned 10 September 2018)
Neil King
Martin Healey
Frank Dangeard (appointed 10 September 2018)
Michael Darcey (appointed 10 September 2018)
Paul Donovan (appointed 10 September 2018)
Maximilian Fieguth (appointed 30 November 2018)

Jeremy Mavor is the Company Secretary.

Directors' indemnities

The Company has 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.

On behalf of the Board

Frank Dangeard - Director
25 September 2019

Company statement of financial position

	Note	30 June 2019 £m	30 June 2018 £m
Non-current assets			
Investments	3	3,301.7	3,301.7
Receivables	4	45.2	45.2
		3,346.9	**3,346.9**
Current assets			
Receivables	4	1,205.6	1,092.7
Total current assets		**1,205.6**	**1,092.7**
Payables	5	(1,205.7)	(1,092.8)
Net current liabilities		**(0.1)**	**(0.1)**
Borrowings		(45.2)	(45.2)
Net assets		**3,301.6**	**3,301.6**
Equity			
Share capital		0.1	0.1
Capital contribution reserve		3,301.5	3,301.5
Total equity		**3,301.6**	**3,301.6**

The accounting policies and notes on page 133 form part of these financial statements.

The result for the financial year for the Company was £nil (2018: £nil).

These financial statements on pages 131 to 138 were approved by the Board of Directors on 25 September 2019 and were signed on its behalf by:

Frank Dangeard - Director

Company statement of changes in equity

	Share capital* £m	Capital contribution reserve £m	Total equity £m
Balance at 1 July 2017	0.1	3,301.5	3,301.6
Result for the financial year	-	-	-
Balance at 30 June 2018	**0.1**	**3,301.5**	**3,301.6**
Result for the financial year	-	-	-
Balance at 30 June 2019	**0.1**	**3,301.5**	**3,301.6**

*Comprises 100,002 (2018:100,002) authorised, issued and fully paid ordinary shares of £1 each.

Notes to the Company financial statements

1 Arqiva Broadcast Parent Limited accounting policies and other information

Basis of preparation

As used in these financial statements and associated notes, the term 'Company' refers to Arqiva Broadcast Parent Limited.

Arqiva Broadcast Parent Limited is a private company limited by shares incorporated in the United Kingdom. The registered address of the Company is Crawley Court, Winchester, Hampshire, SO21 2QA.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis and under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Broadcast Parent Limited and its subsidiaries) are available online at www.arqiva.com. Accounting policies have been applied consistently throughout.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement has not been presented.

New and revised Standards and Interpretations have been adopted in the current year, a list of which can be found in note 2 of the Group financial statements. There is no material impact on the Company. The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

EU-adopted IFRS	Relevant disclosure exemptions
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 24 Related Party Disclosures	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member.

Accounting policies

<u>Investments</u>

Investments in subsidiaries and associates are shown at cost less provision for impairment.

<u>Cash and cash equivalents</u>

Cash includes cash at bank and in hand and bank deposits repayable on demand.

<u>Dividends</u>

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders.

<u>Share capital</u>

Ordinary shares are classified as equity.

Other information

<u>Employees</u>

The Company had no employees during the year (2018: none). None of the Directors (2018: none) were remunerated by the Company. 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 remuneration in respect of their service to the Company except where sums are paid to third parties in respect of their services. There were no such sums paid in the year (2018: none).

<u>Audit fees</u>

The audit fee in respect of the Company and fees payable to PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

Critical accounting estimates and judgements

The application of these accounting policies did not require any critical judgements or any sources of estimation uncertainty.

2 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the Group are set out below:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Aggregate remuneration	0.5	0.4
Amounts due under long term incentive plans	-	1.0
Total remuneration	**0.5**	**1.4**

Certain of the 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 not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company and the Group except where sums are paid to third parties in respect of their services, of which there were £nil (2018: £nil) in relation to the Company. Accordingly, no remuneration in respect of these Directors is recognised in the Company.

There are no directors to whom retirement benefits accrued in respect of qualifying services (2018: none).

Highest paid director
Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Aggregate remuneration	0.3	1.3
Total remuneration	**0.3**	**1.3**

3 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Aerial UK Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant 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%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Pension Trust Limited	United Kingdom	Dormant company	31-Mar	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Dormant company	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Dormant company	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Dormant company	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	80.0%
Now Digital (Oxford) Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	Dormant company	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

The Company held the following investments in subsidiaries:

	Total £m
Cost	
At 1 July 2018 and 30 June 2019	3,301.7
Provision for impairment	
At 1 July 2018 and 30 June 2019	-
Carrying value	
At 30 June 2018 and 30 June 2019	**3,301.7**

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

4 Receivables

Amounts receivable from other Group entities are unsecured, repayable on demand and interest has been charged at 9.5%.

5 Payables

	30 June 2019 £m	30 June 2018 £m
Amounts payable to other Group entities	1,205.7	1,092.8
Total	**1,205.7**	**1,092.8**

Amounts payable to other Group entities are unsecured, repayable on demand and interest has been charged at 9.5%.

The Company has no payables falling due after more than one year.

6 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly-owned by another Group entity.

7 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

The Company is the parent company of the largest group to consolidate these financial statements.

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Connected. **Always.**

Arqiva Group Parent Limited
Registered number 08085794

Annual Report
For the year ended 30 June 2019

Corporate information

As at the date of this report:

Group Board of Directors

Simon Beresford-Wylie
(Chief Executive Officer)

Mark Braithwaite

Frank Dangeard
(appointed 10 September 2018)

Mike Darcey
(appointed 10 September 2018)

Sally Davis

Paul Donovan
(appointed 10 September 2018)

Martin Healey

Daniel Jaffe
(appointed 31 August 2018)

Neil King

Nathan Luckey

Peter Adams (alternate)

Mike Parton (Chairman)

Christian Seymour

Max Fieguth (alternate)
(appointed 30 November 2018)

Sean West (Chief Financial Officer)
(appointed 15 May 2019)

Group website:
www.arqiva.com

Independent Auditors
PricewaterhouseCoopers LLP, Savannah House, 3 Ocean Way, Southampton, United Kingdom SO14 3TJ

Company[1] Directors:

Peter Adams

Mark Braithwaite

Frank Dangeard
(appointed 10 September 2018)

Mike Darcey
(appointed 10 September 2018)

Sally Davis

Paul Donovan
(appointed 10 September 2018)

Max Fieguth
(appointed 30 November 2018)

Martin Healey

Daniel Jaffe
(appointed 31 August 2018)

Neil King

Nathan Luckey

Mike Parton

Christian Seymour

Deepu Chintamaneni
(resigned 30 November 2018)

Paul Dollman
(resigned 10 September 2018)

Neil Townson
(resigned 31 August 2018)

Damian Walsh
(resigned 10 September 2018)

Company secretary:

Jeremy Mavor

Registered Ofiice
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
08085823

[1] In respect of Arqiva Group Parent Limited, the parent company of the Group

Cautionary statement

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

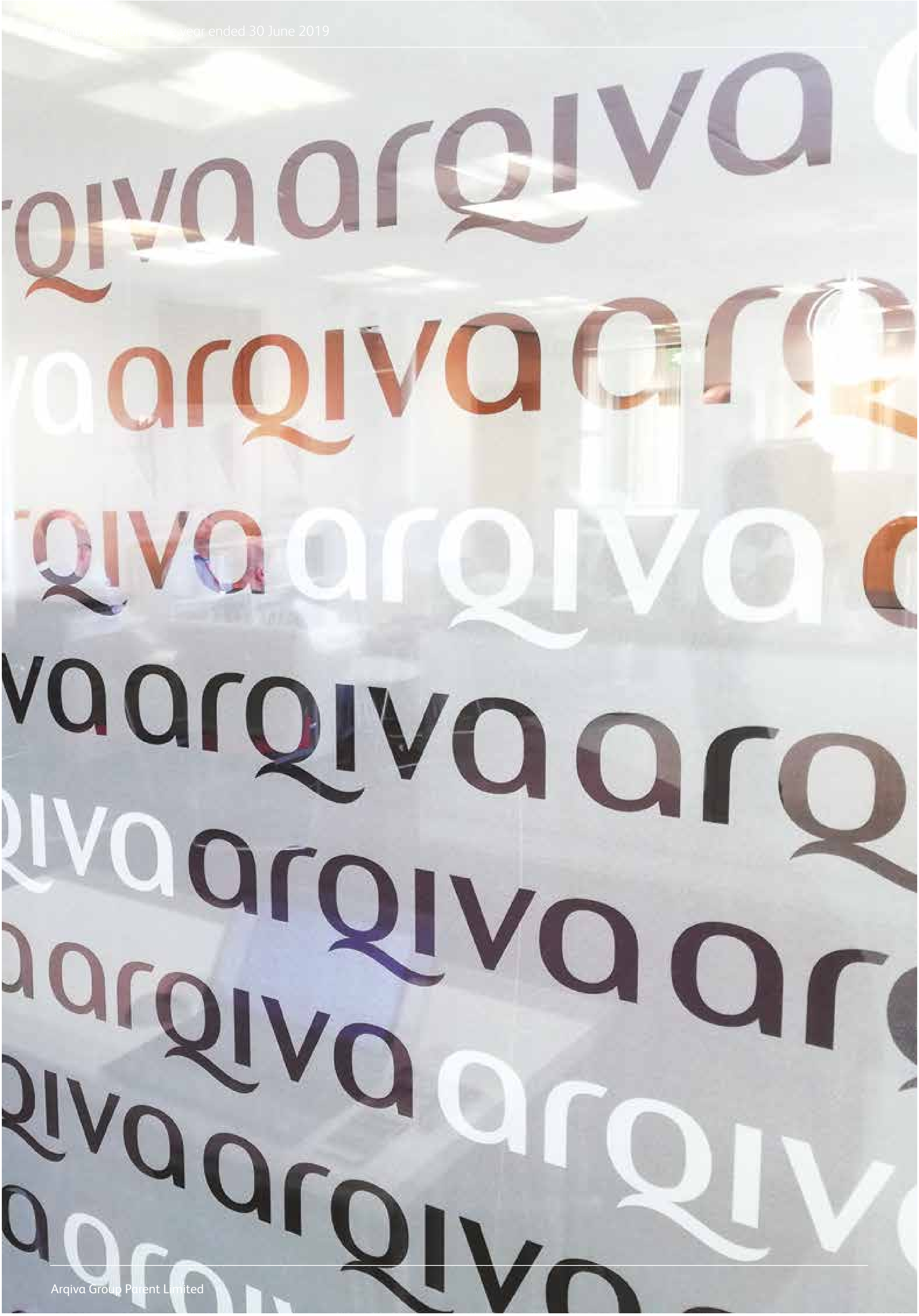
The risks and uncertainties referred to above include:

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

Guidance note to the annual report:
In this document, references to ‘Arqiva’ and ‘the Group’ refer to Arqiva Group Parent Limited (‘AGPL’) and its subsidiaries and business units as the context may require. References to the ‘Company’ refer to the results and performance of Arqiva Group Parent Limited as a standalone entity.

Arqiva Smart Metering Limited (‘ASML’) is the legal entity that won the contract for smart energy metering and, whilst it sits within the ultimate parent group, it is external to the AGPL financing group. ASML has contracted with Arqiva Limited (a company within the AGPL financing group) for the provision of the core network, sites and spectrum that will support the delivery of this contract. The procurement and financing of the communications hubs (which allow information to be sent to and from the network) will be performed by ASML. Accordingly, the AGPL group is expected to benefit from the substantial majority, but not all, of the smart metering contract revenue through charges levied to ASML.

A reference to a year expressed as 2019 is to the financial year ended 30 June 2019. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to ‘current year’, ‘this year’ and ‘the year’ are in respect of the financial year ended 30 June 2019. References to the ‘prior year’ and ‘last year’ are to the financial year ended 30 June 2018.


arqiva

Contents

Cover image: Built in 1962, the communications tower at Croydon is 499ft high and provides radio services to the surrounding area, as well as providing back up for Digital Television for the nearby Crystal Palace tower.

Arqiva in 2019

Arqiva is the leading independent telecom towers operator and sole terrestrial broadcast network provider in the United Kingdom, holding significant investments in essential communications infrastructure. This non-replicable asset base across Arqiva's business units, as described below, will support Arqiva's leading position for the foreseeable future.

c.1,150

TV transmission sites covering 98.5% of the UK population with the DTT[1] platform

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[2], giving videostream capacity of 32 channels, and a further two HD capable multiplexes

c.1,500

radio transmission sites, including the roll-out of 19 new DAB[3] services for SDL[4] during the year

c.8,000

active licensed macro cellular sites[5]

700MHz Clearance activities completed on 613 sites, now over 60% through the programme

c.80 satellite dishes accessing...

...**40+ satellites**

from **5 teleports**

distributing 1,100 TV channels internationally

Smart network to cover up to 12 million UK premises, with 99% network coverage and over 400,000 smart meters sold to date

Access to 200,000+ municipal street furniture sites for the provision of Small Cells in 14 London Boroughs

1 Refers to the Digital Terrestrial Television platform, best known for supporting Freeview.
2 Main national commercial multiplexes refers to those considered to be most established.
3 Refers to Digital audio broadcasting
4 Refers to Sound Digital Limited
5 Reference to 8,000 sites includes contractual options on the assignment of sites; hereafter referred to as 'circa 8,000 active licensed macro sites'.

Key activities in the execution of Arqiva's strategy include:

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support platform development;
- Expanding channel choice, optimising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz Clearance programme to meet target completion date in 2021;
- Continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market;
- Growing the Satellite data communications business in UK utilities and international energy, aeronautical and maritime sectors;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNOs;
- Developing a 'lean towerco' operating model;
- Preparing to be a leading partner within the 5G ecosystem;
- Growing the value of the M2M business within the utilities sector through the provision of smart metering;
- Consolidation of the broadcast business areas to provide a more streamlined and efficient service to our customers;
- Investing in new technologies through our transformation programme to ensure our infrastructure is underpinned by operational excellence and an efficient cost base;
- Maintaining the robustness of Arqiva's capital structure, with a long-term debt platform which has an average debt maturity of over 5 years, and investment grade credit rating over our senior debt;
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a great place to work.

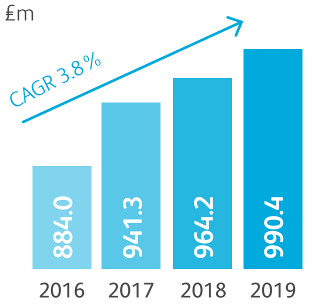
See also
Strategic Overview:
Pages 17-18

See also
Business Model and Business Units:
Pages 13-14

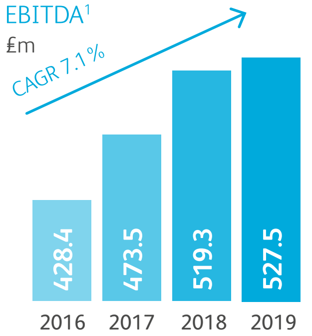
Highlights

With major programmes at a peak throughout 2018 and 2019, Arqiva has continued to deliver growth in revenue and EBITDA. This growth has been delivered despite a decline in operating profit and operating cash flows after capital and financial investment due to phasing of programmes for example reducing capital expenditure.

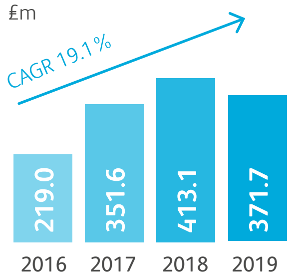
Revenue
£m



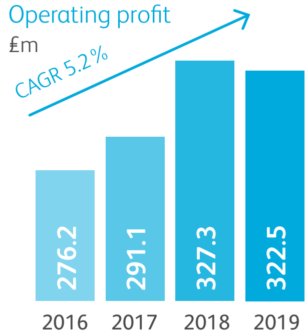
EBITDA[1]
£m



Operating cash flow after capital and financial investment activities[2]
£m



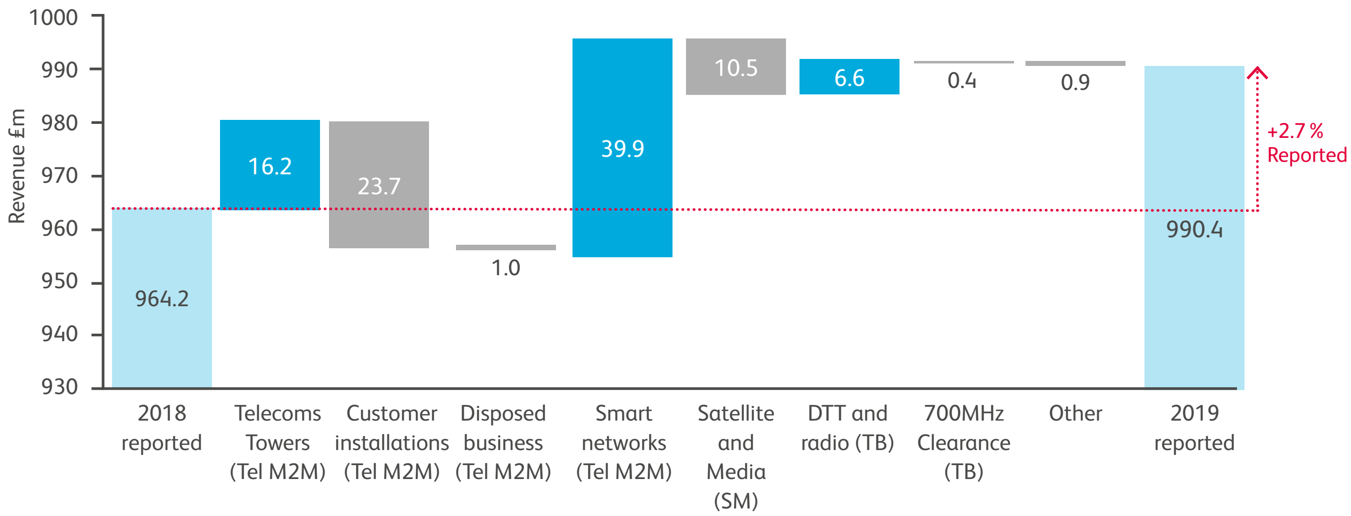
Operating profit
£m



Compound Annual Growth Rate ('CAGR')

Key influences on revenue growth[3] (£m):

Group revenue has increased 2.7%, with the primary increases being in Telecoms towers, smart networks, DTT and radio. These have been offset by decreases reflecting changes in the business, in particular where major programmes activity, for example Installation Services, decrease as the projects near completion.



1 EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation'. This includes adjustments for certain other items charged to operating profit that do not reflect the underlying business performance. See page 23 for where this measure is fully explained and reconciled back to operating profit as presented in the income statement.

2 Operating cash flow after capital and financial investment activities is a non-GAAP measure and represents the net cash generated by the business after investment in capital items. This represents the remaining cash available to service the capital structure of the business, or the return of cash to shareholders in the form of dividends. A full reconciliation between this measure and net cash generated from operations is presented on page 24.

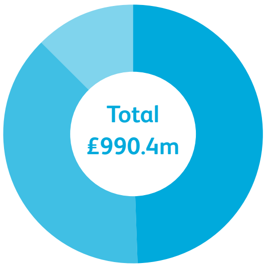
3 Key drivers are stated along with the operating segment in which these business streams are aligned, i.e. Terrestrial Broadcast ('TB'), Telecoms & M2M ('TelM2M') and Satellite and Media ('SM'). The 'disposed businesses' principally relate to Tel M2M, whilst 'other movements' reflect a number of smaller movements across the business as a whole. Further information and narrative is included in the financial review on page 21.

Revenue by operating segment £m

Terrestrial Broadcast
£491.3m (2018: £489.3m)

Telecoms & M2M
£375.9m (2018: £341.3m)

Satellite & Media
£123.2m (2018: £133.5m)

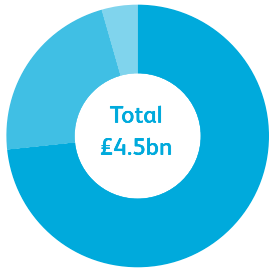


Contracted Order Book £bn

Terrestrial Broadcast
£3.3bn (2018: £3.5bn)

Telecoms & M2M
£1.0bn (2018: £1.3bn)

Satellite & Media
£0.2bn (2018: £0.2bn)



Highlights during the year include:

- Revenue growth for the year of 2.7%, including organic growth of 2.8%[1];
- Continuing the delivery phase of the smart energy metering contract, and implementing incremental contract change requests, finishing the year in line with milestones and network coverage of circa 99%;
- Peak activity in the delivery of the 700MHz programme in accordance with key programme milestones, with work completed on 613 sites thus far;
- 1.6% increase in EBITDA including EBITDA growth in the Telecoms & M2M (6.1%) and Terrestrial Broadcast (0.2%) business units;

1 Organic growth refers to the underlying performance of the business excluding the impact of non-core business areas which were disposed in the current or comparative period (e.g. the Group's Inbuilding Solutions business within the Telecoms and M2M business unit).

Chairman's introduction

"The delivery of our major capital programmes has progressed, meeting milestones and having a positive impact on the financial performance of the business."

Growth in Financial Performance

The 2019 financial year has seen the group maintain another year of revenue growth for the business. This demonstrates the continued success and hard work of our people in being able to adapt and take advantage of opportunities within our markets. There has been continued investment in our core broadcast and telecoms markets in order to maintain our infrastructure and the unique position that this places us in.

The delivery of our major capital programmes has progressed, meeting milestones and having a positive impact on the financial performance of the business. However, as these programmes mature, and in some cases move towards completion, our activity in these areas will reduce and we must focus on how we can further develop and leverage our platforms.

This year we have seen the Group undergo an operating review to refine and focus our business model around our core business areas. Effective in the new financial year, this change brings together our Terrestrial Broadcast, Satellite and Media and Networks parts of the business in to one single business unit, Media Networks. This will allow us to combine the knowledge of the different areas and better serve our customers, putting us in a position to be able to adapt and respond to changes in the industry in line with consumer trends. From 1 July 2019, the Group will therefore be structured into two operating divisions (Media Networks and Telecoms & M2M) supported by central corporate functions.

Changes to the Board

In 2019, we welcomed Frank Dangeard, Mike Darcey and Paul Donovan to the Board. Frank Dangeard has been appointed as an Independent Non-executive director and replaces Paul Dollman as chair of the audit committee. Mike Darcey has been appointed by Frequency Infrastructure Communications Assets Limited and Paul Donovan is a joint appointment by IFM Investors and Motor Trades Association of Australia. The three new directors succeed Paul Dollman and Damian Walsh who have left during the year. We thank Paul and Damian for their contribution to Arqiva.

Change in Chief Financial Officer

During the year Jane Aikman, Chief Financial Officer (CFO) left the business. I would like to take this opportunity to thank her for her contribution to the business. Sean West has been appointed as Chief Financial Officer. Sean joined Arqiva in 2015 and previously held the role of Director of Treasury and Corporate Finance.

Outlook

As we move in to the new financial year, we will continue our focus on the core broadcast and telecoms markets, working with our customers to deliver high quality and innovative services. Infrastructure projects such as 700 MHz Clearance, 4G installations and the smart energy metering network are at advanced stages of their respective roll-outs and as the contracts move in to new phases we will continue to adapt to the needs of our markets. We will also maintain communication with our stakeholders to be well positioned for developments in our core markets for example 5G preparations, analogue radio switchover and changing TV trends.

Our new business unit model, along with further transformation across the Group, place us in a strong position and maintain the unique service capabilities that our critical national infrastructure provides. We must focus on our strategic objectives (see page 17 for further information) and continue to adapt and look for opportunities in dynamic markets as people continue to consume increasing amounts of data and watch and listen to content across various platforms.

The Group also continues with its FutureFit transformation programme, moving into the next phase of delivery as we standardise and streamline our processes, achieve efficiencies and improve customer service.

There will be challenges in the market but as we work with key stakeholders, including government, regulatory bodies and our customers we can build strong relationships and ensure we remain at the forefront of decision making in the markets in which we operate to build on the trends and opportunities that they offer.

As a final note, on behalf of the Board, I would like to thank all our employees across the business for their dedication and hard work. It is our people which are central to our continued success as a business.

Mike Parton
Chairman
September 2019


"When looking back doesn't interest you anymore, you're doing something right."
Coat Store

Strategic report

Chief Executive's Statement

"Arqiva's financial results for the year reflect strong performance that we have delivered across the business but there have still been challenges."

2019 has been another successful year for Arqiva. This is down to the hard work and commitment displayed by our colleagues in some challenging markets as we continue to deliver strong performance in the service delivery to our customers.

Financials

The financial results for the year reflect the strong performance that we have delivered across the business. Revenue has continued to grow, up 2.7%[1]. Whilst operating profit has decreased 1.5%, EBITDA has increased 1.6%[2]. Although the growth represents strong performance, there have still been challenges, in particular within our Satellite and Media markets.

Our revenue growth has been driven from Telecoms & M2M (10.1%) and Terrestrial Broadcast (0.4%). This has been achieved through increased revenues from the core telecoms towers business, through increased site numbers and continued 4G installation activity, and the Group's smart metering network as well as continued high activity levels on the 700MHz Clearance programme and high utilisation on our DTT multiplexes in Terrestrial Broadcast. Satellite and Media revenues have however decreased (down 7.7%) having been impacted by non-renewal of contracts, rationalisation of services and pricing pressures within the product portfolio.

With major projects at peak levels throughout 2018 and 2019, our financial results have been at their strongest in Arqiva's history. While some of these projects now begin to mature or move towards completion, such revenues are expected to decline in the near future, however the core telecoms towers and broadcast businesses provide strong and predictable revenue streams with long term infrastructure investments and customer contracts a key feature.

With a contracted order book of £4.5bn, inflation linked pricing and the opportunities for utilisation that our unique infrastructure provides, Arqiva is in a strong position in the market. We have continued to invest in new infrastructure across broadcast and mobile networks in order to support an efficient platform for future opportunities.

Operational delivery

Looking across the business, customer delivery has remained strong in 2019.

The 700MHz Clearance programme has continued with peak activity through the year. Arqiva is responsible for a wide range of services required as part of the programme including spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. Activity is, however, expected to decrease over the coming year as the programme remains on track for completion in 2021.

Our smart energy metering contract for the North of England and Scotland is now in full deployment. The Arqiva network is now at c.99% coverage and transmitting millions of messages each month between the energy companies and consumer gas and electricity meters. New meters are being installed every day with roll-out expected to accelerate significantly over the next 12 months.

DTT remains a popular medium within the broadcast market. During the year, the Freeview app has launched connecting consumers to live and on demand content from BBC, ITV, Channel 4, 5 and UKTV Play. This app demonstrates the Group's development capabilities having been at the forefront of the app development.

Installation services for 4G roll-out, helping MNOs meet coverage requirements, has continued but at lower activity levels during the year as the roll-out approaches completion. We continue our engagement with the MNOs on planning for 5G roll-out in the near future.

1 Reported revenues of £990.4m in 2019, and £964.2m in 2018

2 Referencing operating profit (2019: £322.3m; 2018: £327.3m) and EBITDA as reported on page 21 (2019: £527.5m; 2018: £519.3m)

Our strategy for growth

During 2019, we reviewed the operating model of the business and made the decision to consolidate the Terrestrial Broadcast and Satellite and Media parts of the business, along with our Networks team, in to a combined customer facing business unit 'Media Networks' from 1 July 2019 (see page 15 for more information). These portfolio and organisational changes that have been announced are now live as we enter the next financial year. These changes, designed to better support our customers, are fundamental to our ability to respond to the dynamic conditions of the markets in which we operate. As our markets mature, and our major programmes progress from recent peak activity, we will continue to face challenges and need to adapt. Within the telecoms market, increasing mobile data demand continues and 5G presents additional technological opportunities but also operational challenges to install and support even greater levels of telecoms equipment on our network of towers. Within the broadcast industry there are continued changes within our markets and changing viewer habits impacting how content is delivered.

In order to respond to these changes, we need to be increasingly aware of the pressures our customers are facing, working with them to understand how best we can serve them. Within Media Networks, everyone is watching and listening to more content, we need to focus on how to utilise hybrid-IP products and reach emerging platforms as well as continuing to maintain traditional TV broadcast services for both free-to-view live and on demand TV. The strategy of refining our business model to bring together Terrestrial Broadcast, Satellite and Media and Networks is a key step in being able to achieve this, providing a more aligned team and ability to deliver for our customers. We will also continue to deliver the 700MHz Clearance programme to clear spectrum to be used for mobile data services and also look at how we can work with the Government and Broadcasters on the review of analogue radio switchover and how our DAB network can be utilised for this.

Within the Telecoms & M2M business, we will continue to deliver on our smart metering contracts. With the initial parts of the contract having been about installing and establishing the network, we now move forward with a focus on supplying more devices for installation which can communicate via the network. Whilst there are also uncertainties in the future of the Telecoms industry, our strategy going forward is to be truly customer focused, to change and develop our capabilities, systems and processes and transform our estates to be able to respond to their needs. This includes investment to enable 5G as MNOs start to deploy this technology.

Management Board Changes

During the year, Matthew Brearley, Director of People and Organisation, left the business with Neil Taplin appointed as his successor. On behalf of the Board, I would like to thank Matthew for his contribution to Arqiva. Neil moves to this position from his role as Director of Operations in the Terrestrial Broadcast business. I also welcome Sean West to the management board as Chief Financial Officer, from his role of Director of Treasury and Corporate Finance having replaced Jane Aikman in May 2019.

Outlook

As we continue into the next financial year, there will be challenges ahead. Whilst we have a strong customer base we face changing markets and project completions and therefore we continue to be proactive in meeting our customer's needs both in terms of developing new products to supporting the existing services.

Simon Beresford-Wylie
Chief Executive Officer
September 2019

Business overview

The UK's leading independent telecom sites operator and sole UK terrestrial broadcast tower network.

Arqiva is one of the UK's leading communications infrastructure and media service providers, with a strong market position, diverse revenue streams and long-life assets.

The Group is an independent provider of telecom towers, with circa 8,000 active licensed macro cellular sites, and the only national provider of terrestrial television and radio broadcasting. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve. Arqiva is independent and reliable.

Arqiva earns network access and transmission service revenues from its customers, as well as fees for engineering services and new projects. Arqiva's services tend to be mission-critical for its customers, as well as providing the network coverage necessary for the fulfilment of the universal service obligations ('USOs') for Terrestrial Broadcast and Telecoms customers set out in their operating licences from the UK government.

In addition, the Group completes various engineering projects for customers such as technological upgrades, installations and coverage or compression upgrades.

Whilst we have a small overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region; therefore, while the nature of Britain's exit from the European Union is still uncertain, we have minimal exposure to international markets and foreign exchange.

The Group has invested significant sums into its infrastructure and has £1.7bn of property, plant and equipment at 30 June 2019. Arqiva is financed through a mixture of equity and long-term debt, with an average debt maturity profile of over 5 years. The Group's senior debt has an investment grade (BBB) rating from Standard and Poor's and Fitch and junior debt a B-/B2 rating from Fitch and Moody's.

Attractive UK communications infrastructure market

- DTT is the most popular TV platform in the UK covering 98.5% of the population; and
- Continued data traffic growth and proliferation of mobile devices driving coverage and capacity requirements and demand for telecoms towers and small cells;

A market leader

The following key competitive positions make Arqiva the market leader:

- The largest independent provider of telecom towers with c.8,000 active licensed macro cellular sites;
- Sole provider of terrestrial television network access (Freeview);
- Owner of 2 of the 3 main national commercial multiplexes; and
- Pre-eminent role in radio broadcasting both locally and nationally.

High barriers to entry

Arqiva owns critical national UK infrastructure that enables MNOs and PSBs[1] to meet their government mandated universal coverage obligations.

The Group's unique site locations and national footprint play a crucial role in supporting these coverage obligations; including our increased exclusive access to municipal street furniture across 14 London Boroughs.

Significant investment would be required to replicate the infrastructure, including UK planning permissions to erect new masts. Arqiva also has long established relationships with its customers spanning more than 80 years.

1 Refers to Public Service Broadcasters ('PSBs')

A pioneer in an always on, always connected world.

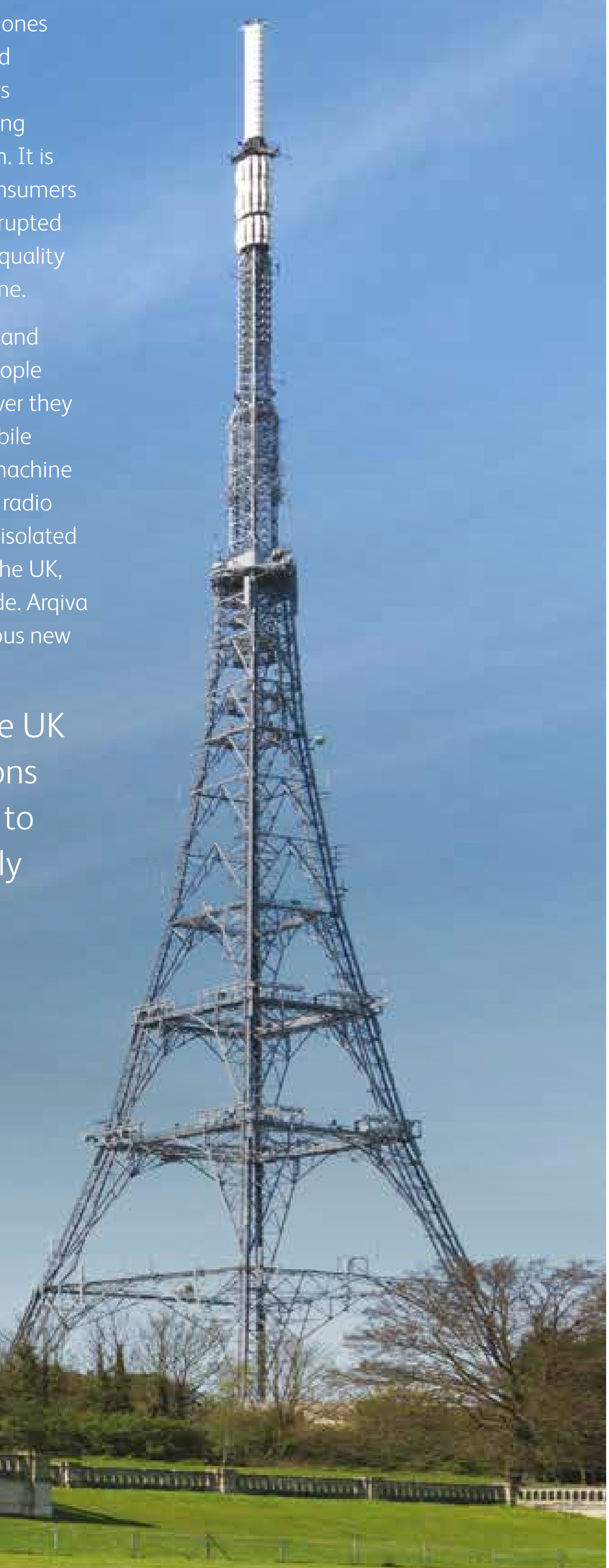
Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936 it carried the BBC's first television broadcast. In 1978 it enabled Europe's first satellite TV test. By the 1990s Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. In the 2000s, it launched the UK's national DAB radio and digital terrestrial television network. Most recently, Arqiva has played a pioneering role in the roll-out of the national smart energy metering network, has supported the continued roll-out of 4G data coverage, and is actively planning for the future of 5G.

The Group's technology and infrastructure, combined with its history and experience, enable it to work with everyone from MNOs (such as BT-EE, Vodafone, O2 and Three) to independent radio groups to major broadcasters (such as the BBC, ITV, Sky, Turner and CANAL+) and to utility companies such as Thames Water and to the Data Communications Company (DCC).

Given the exponential growth of connected devices from smartphones and tablets to connected TVs and development of the smart meters network, there is an ever-increasing demand for data communication. It is essential that businesses and consumers have access to seamless, uninterrupted communications and broadcast quality content anywhere and at any time.

Every day Arqiva's infrastructure and technology enable millions of people and machines to connect wherever they are through television, radio, mobile phones or through machine-to-machine activities. Arqiva's television and radio services reach some of the most isolated individuals and communities in the UK, helping to bridge the digital divide. Arqiva strives continually to find ingenious new ways to support its customers.

Investing to ensure the UK has the communications infrastructure it needs to thrive in an increasingly connected world.



Business model and business units

Arqiva owns and operates a portfolio of cellular sites, TV and radio transmission sites supporting broadcast and communications across the UK.

Arqiva seeks to maximise shareholder value by investing in its considerable site portfolio to not just maintain its reliability, but also to maximise its potential. Accordingly, Arqiva has a wide range of service capabilities including:

- Broadcast transmission from its towers;
- Telecommunications from active licensed macro sites;
- DTT, radio and satellite multiplexes;
- Machine-to-machine network connectivity supporting smart networks;
- Satellite transmission;
- Small cells services; and
- Fibre cable connections.

For the year ended 30 June 2019, our business is aligned into the following customer-facing business units, supported by the Group's corporate functions:

Terrestrial Broadcast

Terrestrial Broadcast owns the infrastructure and sites for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, and delivers related engineering projects. The business unit holds a regulated position as the sole provider of network access for terrestrial television broadcasting. The Group is currently earning revenue on delivery of the programme to clear the 700MHz frequency range of television signals, so that it can be used for mobile data.

Within the Terrestrial Broadcast division, the Group utilises its network of circa 1,150 TV sites to carry Freeview into circa 24 million households every day, making it the UK's most popular TV platform. Arqiva's network is of significant national strategic importance providing coverage to 99% of the UK's population.

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as UKTV, Sky, CBS and Turner to deliver broadcasting content using our channel capacity. Arqiva also owns both HD-enabled DTT multiplex licences that provide services to Freeview and other DTT-related platforms including Youview. In addition, the business unit operates more than 1,500 transmission sites for radio, providing coverage to circa 90% of the UK population. Arqiva is a shareholder in and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex. Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.3bn which includes major contracts running as far as 2035.

Telecoms & M2M

Telecoms & M2M controls a large portfolio of active licensed macro sites and generates revenues from site share arrangements as well as installation services for the roll-out of 4G data capabilities and other site and equipment upgrades. This business unit also generates revenues with respect to the build and operation of the smart 'machine-to-machine' networks and other data transmission services including small cells, and other M2M applications.

The Telecoms & M2M division is the UK's largest independent provider of wireless towers, with circa 8,000 active licensed macro cellular sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing agreements, from which Arqiva earns site share revenues and delivers equipment upgrades for the roll-out of new technologies. These towers are central to achievement of Mobile Network Operators' contractual obligations and requirements to provide up to 98% 4G coverage.

Arqiva has access to municipal street furniture sites for the provision of Small Cells and commercial wireless networks across 14 London Boroughs.

Although installation services from 4G are declining in line with achievement of roll-out, the core telecoms towers business and M2M network continue to be key areas for the Group, with an order book of £1.0bn for the business unit with some contracts running as far as 2024.

With a focus on innovation, Arqiva continues to embrace the fast developing M2M sector for which Arqiva utilises its Flexnet network across our smart metering contracts with utility and water companies. The Group has invested in building M2M networks, which are now supporting a major energy metering contract spanning 15 years and covering more than 9 million premises, and a water metering contract which will cover 3 million homes in an initial phase of 6 years, with likely extension for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which now result in recurring cash flows during the long-term operational phases of the networks.

Satellite and Media

Satellite and Media owns and operates teleports at key locations in the UK, as well as an international terrestrial fibre distribution network, media facilities and leased satellite capacity. These enable the business to provide customers with a comprehensive range of services to deliver their data content, broadcasts and media services internationally.

The Satellite and Media division is the UK's leading independent owner and operator of teleports and media management facilities serving many of the world's largest multi-channel broadcasters and sports-rights organisations, as well as providing data connectivity to the utilities and natural resources sectors.

Arqiva manages the distribution of more than 1,100 international TV channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner, including coverage of high-profile sporting events.. Arqiva's operation of reliable and secure VSAT[1] communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite and Media business. Arqiva's global satellite network delivers content to the world's major DTH platforms including Sky and Freesat as well as the increasingly popular IPTV, mobile and web TV platforms. Satellite and Media has an order book of £0.2bn which is comprised of short-to-medium term contracts extending out to 2026.

During the year, Arqiva announced that following a review of its Satellite and Media portfolio it will run down its occasional use operations during 2019 and 2020 and its playout operations will also cease.

Corporate

Corporate functions comprise Finance, Legal & Regulatory, Information Technology and Connectivity and People & Organisation.

See also
Strategic Overview:
Page 17

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Key Performance Indicators:
Page 27

See also
Spotlights:
Page 29

1 Refers to 'Very Small Aperture Terminal' ('VSAT')

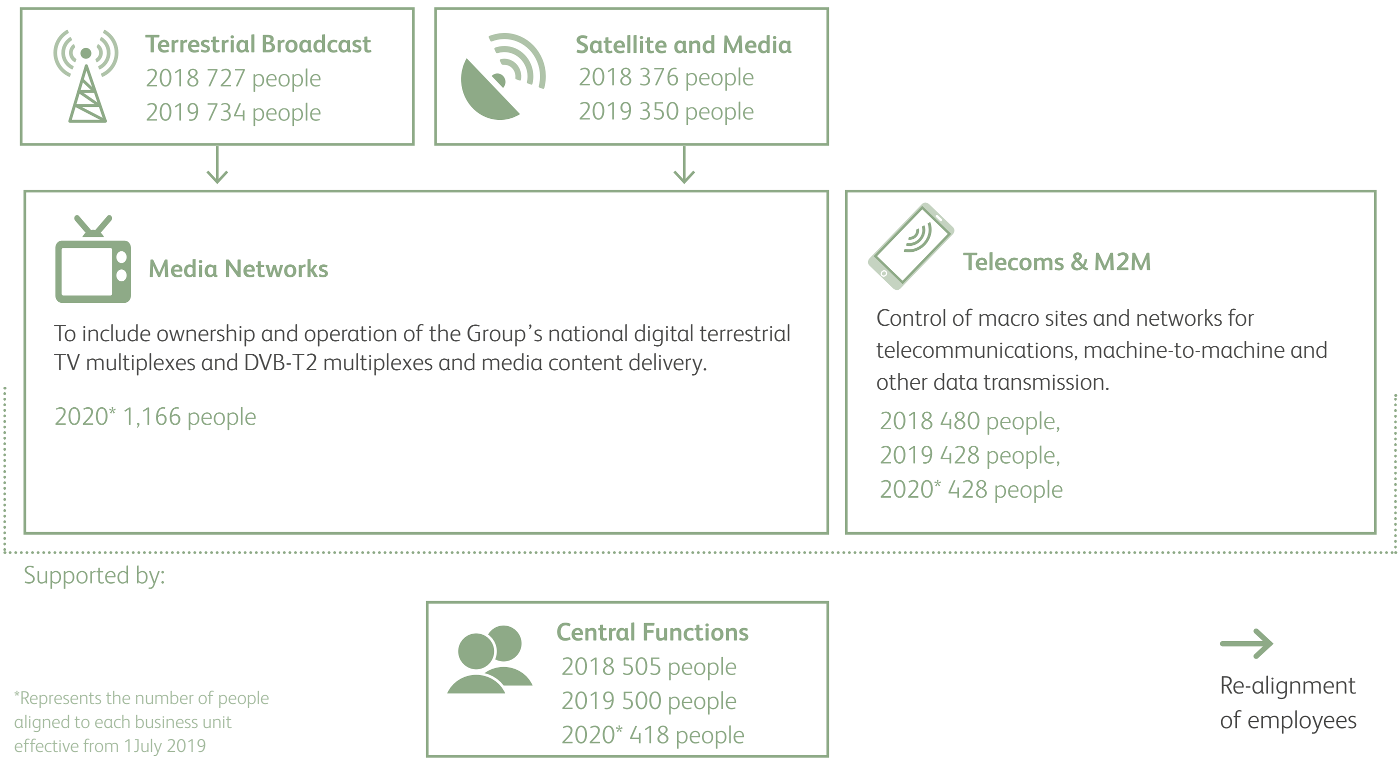
Business model and business units

Change in Business Units

During the year, management conducted a review of the operating model of the business and identified benefits from the consolidation of the Terrestrial Broadcast and Satellite & Media business units. Effective from 1 July 2019 these two business units were merged in to a single customer facing business unit, to be known as Media Networks. The Networks team, previously within the Corporate business unit will also move in to the Media Networks business.

This alignment will bring together our capabilities and skills across Terrestrial Broadcast, Satellite and Media and Networks to face in to the broadcast sector, enabling us to serve our customers seamlessly irrespective of which distribution platform the customer is using. The new business unit will provide terrestrial and satellite networks to leading content owners and network providers utilising our broadcast and IP knowledge and satellite skills and allow us to respond better to the growing demand for ‘hybrid’ offerings based on virtualised platforms and IP networks. This change has also allowed us to rationalise teams where duplication existed, whilst aligning the priorities of the networks team with our customer plans particularly as the skills and expertise of the networks team become ever more important as customers explore the opportunities that internet delivered services offer.

The following diagram demonstrates how our new operating model has changed:




arqiva

Strategic overview

Vision

Arqiva's vision is to be central to every vital connection that people in the UK make, every day.

Arqiva's core values guide how people work together ensuring we go the extra mile to help our customers reach their customers and audiences:

- Looking for **ingenious** and smarter ways to support our customers; embracing change and fresh thinking to find solutions that add real value;
- Working with each other and customers in a **straightforward** way to ensure that Arqiva is always efficient, effective and understood, keeping things simple and clear and acting with integrity; and
- Bringing expertise and passion to **collaborative** working to provide a cohesive service to customers.

Strategy

Arqiva's strategy is to reinforce its position as the leading UK communications infrastructure company, whilst supporting the development of a vibrant digital economy.

The Group's strategy is summarised by the following **strategic priorities:**

1. **Grow a financially successful business**, leveraging existing infrastructure assets and customer relationships with selective investment to maximise value by securing long-term scalable growth opportunities.
2. **Simplify and standardise our technology, platforms and processes** to optimise costs, improve efficiency and drive superior returns.
3. **Help Arqiva's customers prosper and succeed** by delivering superior services in the most cost-efficient way.
4. **Be a great place to work by continuing to invest in our people**, building the Group's knowledge and growing its expertise, led by a dynamic senior management team with a clear vision and proven track record.

Key steps in the execution of Arqiva's strategy include:

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch up services available as well as serving the needs of a pay-lite audience base;
- Expanding channel choice, thereby supporting DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz Clearance programme to meet the target completion date in 2021;
- Continuing to develop digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Helping broadcasters and rightsholders to navigate the trends underlying the video market. These trends include 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility – over satellite, IP/Fibre and internet for content aggregation, processing and delivery;
- Growing the Satellite data communications business in UK utilities and international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNOs;
- Developing a 'lean towerco' operating model making greater use of automation and outsourcing arrangements;
- Preparing to be a leading partner within the 5G ecosystem via our portfolio of high-quality towers, rooftops, street furniture concessions and small cells combined with an industry leading planning & delivery capability;
- Growing the value of the M2M business within the utilities sector through the provision of smart metering, monitoring and control products that operate from a scalable platform;
- Consolidation of the broadcast business areas to provide a more streamlined and efficient service to our customers;
- Investing in new technologies through our transformation programme to ensure our infrastructure is underpinned by operational excellence and an efficient cost base;
- Maintaining the robustness of Arqiva's capital structure, with a long term debt platform which has an average debt maturity of over 5 years, and an investment grade credit rating over our senior debt;
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a great place to work.

2019 Progress

Grow a financially successful business

- 2019 has continued an upward trend in financial performance with revenue and EBITDA both up.
- Net operating cash generation.

Simplify and standardise our technology, platforms and processes

- Operating costs reduced, owing to cost saving initiatives.
- Transformation programme progressing with reviews of IT systems and infrastructure.

Help Arqiva's customers prosper and succeed

- Big successes in service reliability with instances of over 1,500 days without avoidable outage.
- Strong programme delivery across the portfolio including the 700MHz Clearance programme.

Be a great place to work by continuing to invest in our people

- Holders of Investors in People Gold award.
- New approach to diversity and inclusion with training provided to line managers.
- Mental health first aiders trained across the business.

Business update

The Group's contracted order book value at 30 June 2019 was £4.5bn (2018: £5.0bn). In the year the Group won circa £470m of new contracts. A significant proportion of the value of this orderbook relates to medium to long-term contracts which includes DTT and radio transmission, site sharing and smart metering, as well as satellite and other infrastructure services. The Group remains focused on growth opportunities in targeted, core infrastructure areas.

Media Networks (formerly Terrestrial Broadcast and Satellite and Media)

Consolidation of Terrestrial Broadcast and Satellite and Media

On 1 July 2019, the Group combined the former Terrestrial Broadcast and Satellite and Media Business units, as well as the corporate network teams into a newly merged business unit, Media Networks. This was part of a strategy to ensure high levels of service quality for our customers, enabling us to serve customers seamlessly and irrespective of which distribution platform the customer is using. This has enabled us to rationalise teams where duplication existed, whilst aligning the priorities of the networks team with our customers' plans. We expect the skills and expertise of the networks team to become ever more important as customers explore the opportunities that internet delivered services offer.

New multi-year agreement with UK Power Networks

In May 2019, Arqiva announced that it had been selected by Britain's biggest electricity distributor, UK Power Networks, to provide a new state-of-the-art Broadband Global Area Network (BGAN) solution for their secondary Supervisory Control and Data Acquisition (SCADA) network. The solution will enable UK Power Networks' engineers to operate equipment remotely to restore customers' power supplies quickly in the event of a power cut and also to monitor and receive regular status updates from the field. With expertise in cyber security and extensive knowledge of communication networks for critical national infrastructure companies, Arqiva's technical team designed a solution that meets UK Power Networks' needs to monitor and control the distribution power network robustly.

700 MHz Clearance and DTT spectrum

The 700 MHz Clearance project remains on track. The scope of the project is to clear the 700MHz spectrum band (694 MHz to 790 MHz) of DTT use, so that it can be auctioned by Ofcom and used for mobile data. The overall programme is expected to complete by late 2021 and the Group continues to earn revenues and cash flows as delivery milestones are successfully completed. At 30 June 2019, 66% of Clearance events had been successfully completed including the conclusion of Clearance events in Wales. Over 350 relay antennas have been completed out of 415 across the whole country.

Digital Platforms channel utilisation

As at 30 June 2019, the Group had capacity of 32 video streams on its main (DVB-T) multiplexes. In the short term, we expect that utilisation may reduce as a small number customers review their channel portfolios. The Group continues actively reviewing all opportunities and remains confident in optimising the medium- and long-term value of its DTT multiplexes.

Digital radio (DAB)

Since the start of this year, the Sound Digital multiplex has operated at 100% utilisation following the launch of two Virgin Radio stations. Arqiva's Digital One national multiplex also remains fully utilised. We continue to market capacity on the 23 local multiplex licences which the Group owns and occupancy has increased year on year.

At the UK Radio Festival in May 2019, the Minister for Digital and Creative Industries, confirmed the start of the government's review of radio and its transition to digital platforms. The government has consulted with Arqiva and other stakeholders about the review's structure and key inputs. Government aims to conclude the review by "the middle of next year".

Reduced focus on Playout and closure of Occasional Use

Our plans to reduce focus on Playout and traditional Occasional Use satellite distribution and uplinking are progressing well. We continue to support our Playout customers in the interim period as we run down our activities in this area and expect to exit the business by the end of calendar year 2020. Our traditional Occasional Use satellite distribution business closed, as planned, at the end of June 2019. These relatively subscale areas provided minimal contribution to the Group's overall earnings and cashflow. We successfully completed our repositioning to focus on providing managed services for live events focusing on the growth areas of content acquisition, contribution and IP and fibre delivery.

Telecoms & M2M developments

Small cells and pilot network

Whilst the UK small cells market remains in its early stages, demand continues to grow. Arqiva has hundreds of small cells deployed and operational across London and three out of the four UK mobile network operators (MNOs) have deployed small cells on Arqiva managed street assets. The service is equally suitable for 5G as it is for 4G.

The Group continues to progress plans for a 5G small cells pilot trial (the UK's largest) in the London Borough of Hammersmith & Fulham, which will also involve the creation of a 15km high density fibre network. Live services will run from the second half of the 2019 calendar year.

4G roll-out

The Group is approaching the completion of 4G roll-out. 8,694 4G equipment upgrades were completed across Arqiva sites as at 30 June 2019 since roll-out began in 2014.

Major customer contract

We have a major MNO customer contract maturing in late 2019. Negotiations to define our commercial relationship past this date, are ongoing.

Smart energy metering rollout

The Group's smart metering communication network in the North of England and Scotland has been live since November 2016.

The Arqiva network currently covers 99.25% of premises and is expected to reach final coverage of 99.5% by summer 2020. DCC continue to submit change requests that reflect new industry requirements planned to be delivered in November 2019 and June 2020. The Group expects change requests to continue into the new financial year, but at a reduced volume. The Group continues to support the preparations of the DCC and their users ahead of the mass roll-out of SMETS2 meters which is expected during late 2019 when the latest models of compliant Smart Meters become available to Energy Suppliers.

Smart water metering rollout – Thames Water

Since April 2015, Arqiva has delivered a smart metering network that enables the collection, management and transfer of metering data for Thames Water. At 30 June 2019, there were over 407,000 meters installed and with over 8 million meter readings being delivered per day it is the largest smart water metering network in the UK. The network comprised 98 sites out of the 106 required for full network coverage across the entire Thames Water London region with completion expected during summer 2019.

Smart water metering trial contracts – Anglian Water

Since June 2016, Arqiva has been operating smart water metering trials for Anglian Water in two of their regions. These trials are part of Anglian Water's strategy for a long-term smart metering programme and the delivery of our service has enabled Anglian to realise the significant benefits of improved leakage detection, and consumer engagement, whilst also informing their business plans. As at 30 June 2019, over 17,500 meters were operational under these trials and Anglian Water has seen 358,000 litres per day less customer leakage. Consequently, Anglian has announced a procurement tender process for a full smart network across their supply area, pivotal for the delivery of their next five-year business plan.

Other business developments

Transformation update

The Group's company-wide transformation programme, 'FutureFit' is progressing strongly as it moves into its next phase of delivery. Through this transformation programme, Arqiva continues to streamline and standardise its processes, rationalise and modernise IT systems, achieve significant efficiencies and improve customer service.

We continue to invest in new technologies to secure our infrastructure further and improve our ways of working with the deployment of an enhanced digital workplace. We have completed a full migration to a mobile enabled workforce and continue to enhance our collaboration tools and capabilities with the deployment of new applications to all laptops and smartphones. We expect to make further investment as planning is well underway for the complete overhaul of our Service, Asset Management, Network Management and ERP systems. This will transform our core operational delivery model across the full range of our products and services.

CFO change

In May 2019, Jane Aikman, Chief Financial Officer, left Arqiva and was replaced by Sean West, previously our Director of Treasury & Corporate Finance. Prior to joining Arqiva, Sean held senior corporate finance and treasury positions at the Intermediate Capital Group (ICG) and LandSec and brings a wealth of experience across a range of industries and financial markets.

Financial review

Headline financials

Revenue

↑ 2.7% to

£990.4m

Operating Profit

↓ 1.5% to

£322.5m

EBITDA

↑ 1.6% to

£527.5m

Loss before tax

£(46.6)m

loss includes non-cash charges (net) of £408.7m (2018: £278.0m) – see page 23)

Operating cash flow

↓ 14.9% to

£487.0m

Operating cash flow after capital and financial investment activities

↓ 10.0% to

£371.7m

Financial performance

For the year ended 30 June 2019, revenue for the Group was £990.4m, an increase of 2.7% from £964.2m in the prior year. Revenue includes £0.6m (prior year £1.6m) from the Group's former Inbuilding Solutions business disposed of during the year. Excluding the effect on financial performance of this disposal, organic revenue growth from the continuing business was 2.8%. The trend of reported revenue growth has continued. Over the three years to June 2019 compound revenue growth is 3.9%.

Revenue by operating segment	30 June 2019 £m	30 June 2018[1] £m	Variance %
Terrestrial Broadcast	491.3	489.4	0.4
Telecoms & M2M	375.9	341.3	10.1
Satellite and Media	123.2	133.5	(7.7)
Total	990.4	964.2	2.7

Terrestrial Broadcast revenues increased by 0.4% from £489.4m to £491.3m year on year. Revenue on contracts has increased through the year, resulting from increased DAB activity as well as RPI linked increases on broadcast contracts. These increases have been partially offset by a reduction in other engineering projects due to phasing of projects. The 700MHz Clearance programme has maintained revenue compared to the prior year with high levels of activity in both 2018 and 2019, with the programme at its peak and 613 sites now completed. As the programme progresses, activity is expected to reduce on this programme in the next financial year. Revenues also include £2.5m for the Group's Connected Solutions, reported within the Satellite and Media business unit in previous years.

Telecoms & M2M revenues increased by 10.1% from £341.3m to £375.9m year on year. Excluding the effect of the Group's Inbuilding Solutions business disposed in the year which contributed £1.6m to revenue in 2018 and £0.6m in 2019, the Telecoms & M2M business experienced revenue growth of 9.5%. Installation Services revenue, generated from assisting MNOs in meeting coverage requirements, has decreased in the year with annual revenue of £27.9m in 2019 (2018: £51.6m). This is as a result of lower levels of activity in this area in line with expectations as the 4G roll-out reaches completion and is expected to continue at further reduced volumes in to the next financial year. This reduction has been replaced with growth from the Group's

1 Figures for 30 June 2018 throughout this report have been restated in the year for the impact of adoption of the new accounting standard IFRS 15 Revenue from contracts with customers. IFRS 15 was adopted with a transition date of 1 July 2017. See note 33 of the financial statements for a full explanation of the effect of changes in accounting policy in the year.

core telecoms towers business driven by increased site numbers under the Group's control and associated activities. Revenue from the M2M business has also continued to increase through the delivery phase of the programme and due to incremental change request activity agreed in the year with the installation of the network now near completion. Moving forward the focus will be on the delivery of the devices for the energy industry which will then be able to communicate via the network.

Satellite and Media continues to operate in a competitive market with revenue reductions in 2019 of 7.7% from £133.5m to £123.2m year on year. Revenues were impacted largely due to the strategic decision to exit a low margin managed service contract, reduced focus on Playout and Occasional Use products (from which the Group expects to be fully exited from over the next couple of years), as well as the transfer of the reporting of revenues from the Connected Solutions into Terrestrial Broadcast (£2.5m). The business was also impacted by some non-renewals of contracts, capacity reductions and pricing pressures, however overall contract renewal rates remain robust for the remainder of the core business. The decreases were, however, partially offset by the rollout of new HD channels within the UK DTH business.

Gross profit was £643.8m, representing a 0.4% increase from £641.2m in the prior year. Gross profit from the continuing business[1] increased by 0.5% year on year. The change in margin was as a result of changes in product mix with revenue growth partially offset by increased programme costs.

Other operating expenses before exceptional items were £116.4m, down 4.4% from £121.8m in the prior year. The decrease is due to savings realised through our FutureFit efficiency programme and one-off consultancy costs incurred in the prior year not repeated. The FutureFit programme continues to progress with high levels of transformation activity expected in future financial years centred on our approach to simplify and standardise our technology, platforms and processes.

EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. A reconciliation of EBITDA to operating profit is provided on page 23.

EBITDA for the Group was £527.5m, representing a 1.6% increase from £519.3m in the prior year, explained by the increase in revenues resulting from strong programme delivery, and operating cost savings partially offset by lower gross margins due to changes in sales mix. This performance reflects another year of EBITDA growth benefitting from peak levels of project activity with an annualised growth rate over the past 4 years of 7.1%.

EBITDA by operating segment	30 June 2019 £m	30 June 2018 £m	Variance %
Terrestrial Broadcast	363.4	362.6	0.2
Telecoms & M2M	189.0	178.1	6.1
Satellite and Media	30.1	33.8	(10.9)
Other[2]	(55.0)	(55.2)	0.4
Total	527.5	519.3	1.6

EBITDA for the Group's Terrestrial Broadcast business was £363.4m, representing a 0.2% increase from £362.6m in the prior year. The growth was mainly due to increased DAB and Digital Platforms activity as well as 700MHz Clearance programme with activity on the programme at its peak during the year.

EBITDA for the Group's Telecoms & M2M business was £189.0m, a 6.1% increase from £178.1m in the prior year. This increase has been driven by changes in sales mix with reductions in Installation Services more than offset by increases in site share as well as increases in incremental change requests relating to the smart metering contracts.

EBITDA for the Satellite and Media business was £30.1m which was a 10.9% decrease from £33.8m in the prior year. The decrease reflects the challenges of the market with the revenue reductions described above and rationalisation of services.

Other EBITDA has been maintained versus the prior year reflecting continued focus on cost management

Depreciation (2019: £184.1m; 2018: £166.3m) and amortisation (2019: £15.8m; 2018: £16.7m) were collectively 9.2% higher year on year. This was due to an increase in the underlying tangible asset base of the Group (particularly in

1 Excluding the financial effect of the disposed non-core business areas outlined above – 2019 gross margin: £0.1m; 2018 gross margin: £0.8m.
2 Other refers to the Group's corporate business unit. See page 14 for a description of the Group's business units and the activities involved.

Financial review

connection with smart metering contracts and the 700 MHz Clearance programme) and the accelerated depreciation and amortisation on certain assets (particularly asset replacements connected with the 700MHz Clearance programme and non-core business areas in connection with the Groups operating review).

Exceptional items charged to operating profit were £12.5m, up from £9.5m in 2018. These costs relate predominantly to reorganisation costs as the Group executes its FutureFit operational efficiency programme and reorganisations as the Group focuses on its core business model. The increase has been partially offset by a £2.0m profit (2018: £nil) on disposal of non-core assets (and the associated contracts) in relation to the Group's InBuilding solutions business.

Operating profit for the year was £322.5m, a decrease of 1.5 % from £327.3m in the prior year. Whilst EBITDA generated increased, this has been offset by increased depreciation, amortisation and exceptional charges.

A reconciliation between operating profit and EBITDA is presented below:

Reconciliation between operating profit and EBITDA	30 June 2019 £m	30 June 2018 £m
Operating profit	322.5	327.3
Exceptional items charged to operating profit	12.5	9.5
Depreciation	184.1	166.3
Amortisation	15.8	16.7
Impairment	-	4.4
Share of results of associates and joint ventures	-	(0.2)
Other income	(7.5)	(4.6)
Other[1]	0.1	(0.1)
EBITDA	527.5	519.3

Finance costs (net of finance income) were £346.3m, consistent with £346.2m in the prior year. There was a decrease due to decreases in bank and other loan interest following the refinancing in September 2018 and repayments of debt principal that have been made during the year offset by the compounding effect of interest on outstanding amounts owed to group undertakings.

The Group reported £22.8m losses within other gains and losses in the year (2018: £92.4m gains). This principally arises from negative fair value movements (loss of £13.7m: 2018: gains of £90.3m) recognised in respect of derivative contracts, which are not hedge accounted, attributable to changes in market yields and credit spreads. A £9.1m loss (2018; £2.0 gain) was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however, the cross- currency swaps provide an economic hedge to the Group's US$ denominated debt.

Loss before tax was £46.6m, a decrease from a profit of £73.5m in the prior year. The loss before tax is reported after non-cash charges of £366.6m (2018: £235.6m) as shown below:

Reconciliation between (loss)/profit before tax and adjusted profit before tax and no-cash charges/(gains)	30 June 2019 £m	30 June 2018 £m
(Loss)/profit before tax	**(46.6)**	**73.5**
Depreciation	184.1	166.3
Amortisation	15.8	16.7
Impairment	-	4.4
Share of results of associates and joint ventures	-	(0.2)
Accrued interest on intragroup loans	155.9	145.0
Other non-cash financing costs[2]	30.1	38.2
Foreign exchange revaluations on financing	9.1	(2.0)
Fair value movements on derivative financial instruments	13.7	(90.3)
Exceptional profit on disposal of joint venture	-	(0.1)
Total non-cash charges	**408.7**	**278.0**
Adjusted profit before tax and non-cash charges	362.1	351.5

1 Includes add-backs for certain profit or loss on disposal of other intangibles and property plant and equipment and including deductions for non-interest related finance costs, principally bank charges, that are not considered relevant in understanding the underlying performance of the business.

2 Includes amortisation of debt issue costs, unwinding of discount on provisions and imputed interest

Net cash inflow from operating activities was £487.0m, representing a decrease of 14.9% from £572.1m in the prior year. This decrease is owing to a working capital outflow driven by the utilisation of cash received in advance during prior years (decreasing contract liabilities) and timing of payments, typical with historical trends of the business. In the prior year the operating cash inflow was higher due to working capital inflows arising from one off additional contract liabilities recognised from Telecoms & M2M and Terrestrial Broadcast customers.

Net capital expenditure and financial investment was £115.3m, representing a decrease of 27.4% from the prior year. The net financial investment of the Group includes consideration received in respect of the assets and contracts of the Group's Inbuilding business. Operating cash flow after capital and financial investment activities was £371.7m, a decrease of 10.0% from £413.1m in the prior year. The overall decrease in the year is principally owing to changes in working capital versus the prior year partially offset by decreased expenditure on significant capital projects such as the 700MHz Clearance programme as it progresses.

Total cash flow for the year was a £27.7m outflow (2018: £1.5m inflow). The decrease is predominantly due to the decrease in cash inflows from operating activities explained above. This has been partially offset by reductions in cash outflows on financing activities due to lower capital expenditure and financing activities due to lower net debt repayments and interest paid.

Reconciliation between net cash inflow from operating activities and operating cash inflow after capital and financial investment activities	30 June 2019 £m	30 June 2018 £m
Net cash inflow from operating activities	**487.0**	**572.1**
Purchase of tangible and intangible assets	(122.8)	(165.1)
Sale of tangible assets	7.5	0.3
Disposal of investment	-	5.2
Loans to joint ventures	-	0.6
Net capital expenditure and financial investment	**(115.3)**	**(159.0)**
Operating cash flow after capital and financial investment activities	371.7	413.1

Financial position

Net liabilities were £1,420.5m, representing an increase of 3.4% from £1,373.8m in the prior year. The net liability position is primarily driven by the capital structure reflecting the borrowings and derivative financial instruments held. Our assessment of going concern is set put on page 26.

1 Net cash inflow from operating activities after net capital expenditure and financial investment, and net proceeds/costs on the disposal/acquisition of subsidiary undertakings and other related investments

Financial review

Financing

The Group established its Whole Business Securitisation ('WBS') structure in February 2013, and since then it has continued to refinance elements of its debt structure further extending its maturity profile. The Group continues to hold significant levels of financing incurring costs thereon.

Standard and Poors and Fitch reconfirmed their rating of Arqiva's senior debt at BBB.

At 30 June 2019 the Group's debt finance[1] comprised:

	Falling due				
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Total £m
Facilities drawn	35.0	-	-	-	35.0
Finance lease obligations	0.8	1.6	1.8	8.2	12.4
Senior term debt	20.0	-	370.0	-	390.0
Senior bonds and notes	443.4	117.9	406.8	834.1	1,802.2
Intragroup loans	-	-	-	496.8	496.8
Total	499.2	119.5	778.6	1,339.1	2,736.4

Included within the above is £1,721.4m of fixed rate debt and £1,015.0m of floating rate debt of which £272.4m is US$ denominated. The Group holds interest rate swaps (including inflation-linked interest rate swaps) and cross-currency swaps to hedge its interest rate and foreign currency exposures. This hedging strategy is employed to ensure the certainty of future interest cash flows.

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements at the senior financing level:

Senior debt level financial covenant ratios	30 June 2019	30 June 2018
Maximum allowed ratio of net debt to EBITDA	7.50	7.50
Actual ratio of net debt to EBITDA	4.11	4.42
Minimum allowed ratio of cash flow[2] to interest	1.55	1.55
Actual ratio of cash flow to interest	2.92	2.78

1 Excluding unamortised debt issue costs

2 'Cash flow' as defined under the Group's financing common terms agreement, i.e. this is not a GAAP measure

Liquidity

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions, which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Drawings on facilities at 30 June 2019	Total Facility £m	Drawn £m	Available £m
Working capital facility	140.0	35.0	105.0
Capital expenditure facility	250.0	-	250.0
Liquidity facility	250.0	-	250.0
Total	640.0	35.0	605.0

Going concern

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group performs a review of going concern through a review of forecasting including cash flow forecasts and considering the requirements of capital expenditure and debt repayments. The Group has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments both in terms of capital programmes and financing. For this reason, the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing this financial information.

Key performance indicators

The Group uses a combination of financial and non-financial key performance indicators ('KPIs') to measure progress against its strategic priorities.

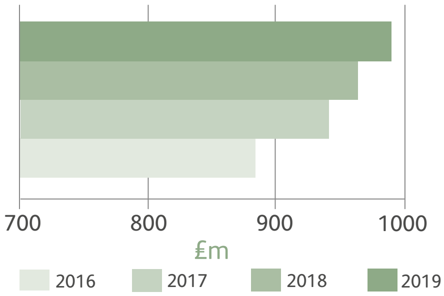
The Group's strategic priorities centre around:

- Growing a financially successful business (financial success);
- Simplification and standardisation of our approach to efficiency (driving increasing returns);
- Helping our customers prosper and succeed (our customers); and
- Being a great place to work (our people).

See page 17 for further details on our strategic priorities

Financial success and driving increasing returns...

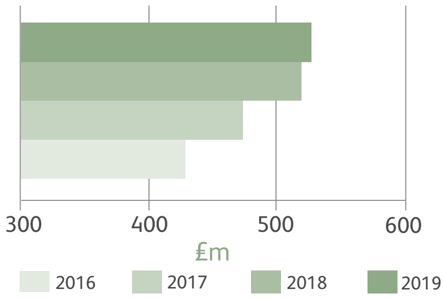
Revenue



Definition – Revenue is presented as per the financial statements, and in accordance with IFRS 15.

Result – Revenue has increased 2.7% from the prior year (2019: £990.4; 2018: £964.2m) and 3.8% on an annualised basis over the past four years. The primary drivers of this continued growth were increased activity on the Group's smart energy metering contracts through the delivery phase due to incremental change requests agreed with the installation of the network now near completion and core telecoms towers business, benefitting from greater site numbers and/or greater capacity utilisation. 700MHz Clearance has also reached its peak activity during 2018 and 2019 with activity expected to reduce in to the next financial year..

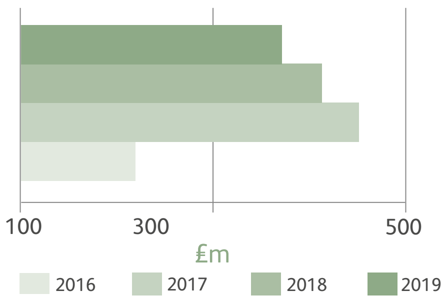
EBITDA



Definition – EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. See page 23 for its reconciliation to operating profit.

Result – EBITDA grew 1.6% from the prior year (2019: £527.5m; 2018: £519.3m) and demonstrates consecutive growth over the past four years with 7.1% on an annualised basis. The growth in the year was not as high as the growth in revenue due to shifts in sales mix and phasing of work on the Group's significant contracts.

Operating cash flow after capital and financial investment



Definition – Operating cash flow after capital investment activities represents the cash generated after the spending required to maintain or expand its asset base. This is calculated as the net cash flow from operations minus the net cash flow from capital expenditure and financial investment. See page 24 for its reconciliation to net cash flow from operations.

Result – The cash generated was £371.7m, down 10.0% from the prior year. The decrease was driven by working capital outflows as a result of utilisation of contract liabilities deferred income, partially offset by lower capital expenditure due to phasing of programmes. Annualised growth over the past four years remains positive at 19.1%.

Our customers…

Delivery on our customer promises
The Group has continued to meet its contractual milestones and continues to engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, where Release 2.0 went live in November 2018. Various improvements in the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub and network coverage has now reached c. 99 % in line with requirements;
- 700MHz Clearance. As of 30 June 2019, 60 out of 104 Main Station Clearance events and 553 out of 908 Relay Clearance events have been completed. The programme remains on track to clear the 700MHz frequency in 2021.

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2019	99.99 %	99.99 %
2018	99.99 %	99.99 %
2017	99.99 %	99.99 %
2016	99.99 %	99.99 %
2015	99.99 %	99.99 %

Definition – Arqiva strives to provide consistently high service levels and look to manage and monitor the total annual level of network availability across both TV and radio infrastructure as a percentage across all multiplexes.

Result – Through careful management Arqiva has consistently been able to achieve excellent levels of network availability.

Our people…

	Investors in people award
2018	Gold
2017	Silver
2016	Gold
2015	Gold
2014	Gold

Definition – The Group takes part in the ‘Investors in People’ accreditation for which more than 16,000 UK businesses take part. Since our last assessment the award criteria have undergone a significant overhaul to include new, even more rigorous criteria.

Result - Arqiva holds an Investors in People Gold Award. This is the highest level of Investors in People Recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. It reflects the commitment to our values, clear focus on individual and team objectives aligned with business goals, focus on systems and process improvements.

Spotlight: Terrestrial Broadcast

c.1150
TV transmission sites

c.800[1]
radio transmission sites

4
DTT multiplex licences

Services delivered

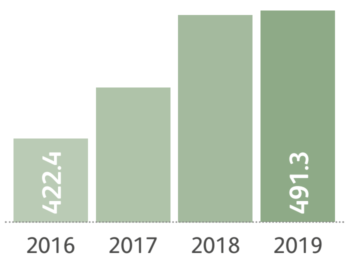
The Terrestrial Broadcast business unit provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90% of the UK's radio transmission, including ownership interests in the two commercial national digital radio multiplexes. Included within this business unit is the Group's DTT multiplex business, which owns and operates two of the three main national commercial digital terrestrial TV multiplexes, plus two DVB-T2 multiplexes (capable of providing additional services including HD content).

The Group's radio and TV broadcast operations (network access and managed transmission) are regulated by Ofcom on behalf of the wholesale broadcast customers. None of the Group's other business units are regulated.

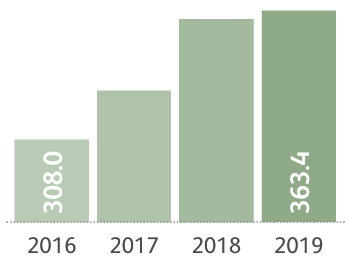
Our customers include...

Business snapshot

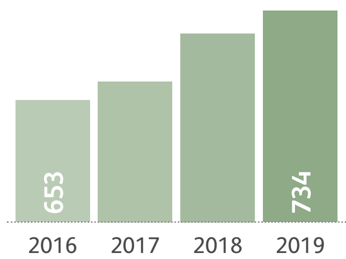
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Terrestrial Broadcast as a result of:

- Increased DAB activity;
- High channel utilisation in digital platforms;
- RPI-linked increases on broadcast service contracts; and
- Peak activity on the 700MHz Clearance programme

1 Total number of broadcast sites are circa 1,500, some of which overlap to broadcast both TV and radio signals.

Spotlight: Satellite and Media

80 earth stations accessing >40 satellites

5 teleports

We deliver via satellite to 5 continents 24/7

Services delivered

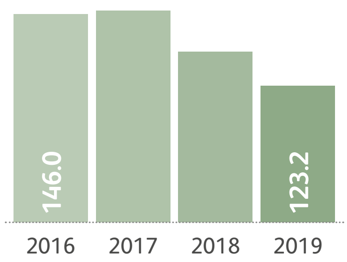
The Satellite and Media business unit provides a range of services to transmit content around the globe. It holds five award winning teleports which represent a significant barrier to entry in the market. Arqiva provides customers with up-linking and down-linking services to offer a satellite and fibre distribution network to distribute customers' data and programming, including c.50% of all channels on the Sky platform. Its media management services include watermarking and advert placement, and connected TV services (including video on demand, streaming, metadata management and other over-the-top services). Additionally, it can offer secure and reliable satellite data communications to remote and hostile locations. These customisable end-to-end solutions are currently provided to energy and aeronautical organisations.

Our customers include...

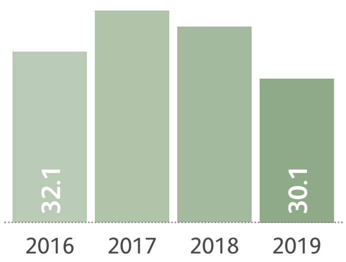
FOX, EUROSPORT, RigNet, NBC UNIVERSAL, Discovery Communications, ALJAZEERA

Business snapshot

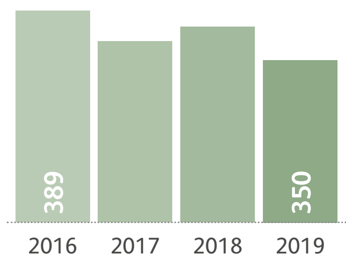
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



Satellite and Media continues to be a challenging market which has resulted in decreased revenue and earnings for the year. During the year the business has experienced:

- Change in focus away from Playout and Occasional use services;
- Strategic decision to exit a low margin managed service contract;
- Non-renewal of contracts;
- Pricing pressures; and
- New HD channel sales growth

Market environment – Media Networks

With digital radio listening figures over 50%, in May the Minister for Digital and Creative Industries, Margot James, confirmed the start of the government's review of radio and its transition to digital platforms. The government has consulted with Arqiva and other stakeholders about the review's structure and key inputs and the review is expected to be completed by the middle of next year. Arqiva continues to be in discussions with regard to industry changes in this area and the Group's DAB network places the business in a prominent position to support DAB as the long-term successor in the digital radio market.

Across the broadcast industry, consumer trends are changing with people having access to video and audio content in increasingly different ways, with smartphones and tablets alongside traditional TV sets. Customers continue to embrace OTT services and Internet Protocol (IP) delivered content. Smart TV's and set-top boxes continue to be important as they provide the end-user with a seamless experience regardless of the delivery method. Growth in these other platforms requires the broadcast market to be able to offer opportunities to deliver flexible networks and cloud-based solutions to deliver content in more dynamic ways.

The DTT platform, which is broadcast primarily under the Freeview brand name, continues to be key within the industry in the delivery of content to households. This platform remains attractive in the UK for Hybrid DTT / IP TV service where DTT remains the underlying delivery mechanism that has a core free-to-air linear content base with a variety of OTT services on-top. New hybrid-IP products are therefore essential to being able to monetise content for broadcast customers and keep up with the emerging demands of the market.

Hybrid TV platforms provide viewers with a connected TV experience offering more choice, functionality and content and as a result adding a plethora of additional ways to add commercial value for broadcast providers. Hybrid TV and virtualisation are growth areas in the market. Arqiva is a leader in virtualised services having launched a new consumer OTT service to provide core managed teleport and fibre services along with scalable IP streaming services.

Spotlight: Telecoms & M2M

c.8,000
active licensed macro sites

>12million
Premises to be covered by our smart networks

c.200,000
municipal street furniture sites in 14 London Boroughs

Services delivered

Arqiva's physical infrastructure gives mobile operators access to circa 8,000 active sites forming the Group's core telecom tower business. Space on towers and street furniture are licensed to national MNOs and other wireless network operators to enable complete mobile communications networks ('site-share'). Arqiva also works with the MNOs to upgrade networks to support 4G and future mobile services such as 5G ('installation services').

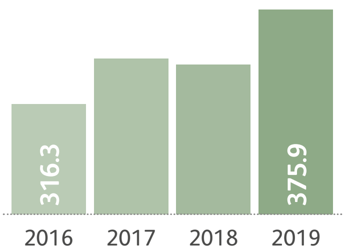
Arqiva is a provider of outdoor small cells infrastructure with exclusive access to street infrastructure in major UK cities including 14 London Boroughs.

Utilising the Group's sites, Arqiva is building machine-to-machine networks as part of long-term contracts to provide a smart energy metering network for approximately 9.3 million premises in Scotland and the north of England, and a smart water metering network for customers in the south of England.

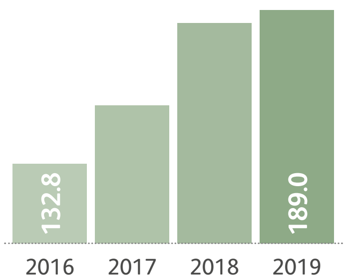
Our customers include...

Business unit snapshot

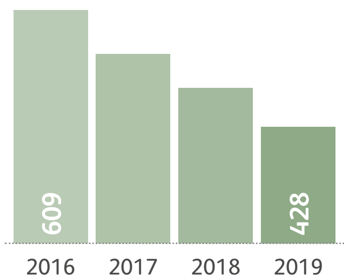
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There was growth in Telecoms & M2M revenues and earnings principally as a result of:

- Continued increased revenues and earnings from the core telecoms towers business due to higher site assignments;
- Greater revenues from incremental changes requests agreed in the year in relation to the smart energy metering contract; and
- Decreasing activity on Installation Services as volumes reduce as 4G roll-out reaches completion.

Market environment

The new Electronic Communications Code continues to be a key factor in the industry. The Code was designed to facilitate the installation and maintenance of electronic communications networks in the UK. The latest updates intend to enhance investment in the digital infrastructure in order to meet public demand for more extensive coverage, better connectivity and faster services. Whilst MNOs will be impacted in terms of providing increased geographic coverage Arqiva may be further impacted through rent reviews and site access for upgrades as the Code continues to be implemented.

In December 2018, Arqiva and CityFibre revealed details of the UK's largest pilot of wholesale, 5G-ready small cell infrastructure. The pilot project in the London Borough of Hammersmith and Fulham is creating 15km high density fibre network, which provides the bandwidth for MNOs to explore advanced technology including 5G. The fibre network will provide MNOs the ability to deploy small cells quickly and easily, to connect businesses and residents to the ultra-fast 5G network.

With growing reliance on data, telecommunications street furniture is being recognised as a vital component of infrastructure for current and next generation telecoms equipment, including outdoor small cells. The Group continues to actively develop its outdoor small cells proposition. Arqiva's solution uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas.

Corporate responsibility

Arqiva endeavours to conduct its business in a way that benefits its customers, suppliers, employees, shareholders and the communities in which it operates. Three values are at the heart of the organisation. They were developed by the Group's employees and are therefore owned by its people.

Ingenious

Finding ingenious and smarter ways to support our customers

Straightforward

Talking and acting in a clear and straightforward way to make sure we're always effective and understood

Collaborative

Bringing expertise and passion to collaborate as one team and go that extra mile

Arqiva never underestimates the contribution its people make to its business and its customers' businesses. That's why the values guiding how its people work were defined by its employees. Values 'champions' from across the company led workshops with their colleagues to ensure everyone had the opportunity to contribute to the decision-making process.

The Group believes it has a role to play in shaping its dynamic industry. It actively engages with government, trade associations and other industry players as it knows that to keep its customers connected it must continually work to identify and develop the ideas that will enable society's wireless digital future.

The Group has four focus areas to ensure that it acts responsibly, ethically and safely in everything that we do

1. Corporate focus – together we are stronger
2. Community focus – building community
3. Employee focus – supporting personal contribution
4. Business focus – being a responsible employer

1. Corporate focus – together we are stronger

Arqiva is connected with universities and schools to invest in the future of Science, Technology, Engineering and Maths (STEM). The Group has active intern, apprentice and graduate schemes and STEM ambassadors who support local schools and encourage visits from schools to Arqiva's main sites to stimulate their interest in STEM subjects as a key step to their future career.

Arqiva began supporting Cancer Research UK (CRUK) as its recognised national corporate charity in July 2019. Colleagues are asked to get involved in a number of ways:

1. Participate in an Arqiva-organised event.
2. Matched funding if they participate in any CRUK event
3. Taking on a personal challenge

The first events in support of CRUK took place on 25 July 2019 when colleagues from three sites at Emley Moor, Romsley and Crawley organised their own Race for Life and took on local routes of around 5k. Reaction to these first events has been pleasing with in excess of £25k raised. Further activity is already planned for the remainder of 2019 and beyond.

2. Community focus – building community

Arqiva's 'Connected Communities' programme supports teams of colleagues to get involved in volunteer work for local charities. The Group also works with office teams across our sites in supporting charities local to them.

3. Employee focus – supporting personal contribution

Charitable donations

During the year, the Group made a number of charitable donations including to local charities and those that also matter to Arqiva's people. Contributions were made as part of a matched funding scheme to match employee fundraising for charitable events in which they participate. The Group also supports the Give as you Earn scheme, working in partnership with the Charities Aid Foundation which manages the scheme.

4. Business Focus – being a responsible employer

Environment

The Group is committed to complying with all applicable environmental legislation and annually assesses the environmental impact of its activities, products and services and through active environment management aims to reduce any negative impacts. The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001, the latter being the voluntary International Standard for "Energy Management Systems".

Energy consumption is a key area of interest for the Group given it is a significant consumer of electricity. Arqiva's energy policy reflects the company's commitments to improving energy efficiency by:

- Reducing energy consumption,
- Investing in energy efficient technology, and
- Monitoring carbon emissions.

One of Arqiva's business aims is to reduce carbon emissions and energy costs whilst complying with energy legislation. The Group is always looking at new and innovative ways of driving down its carbon footprint. Responsible management of energy has a key role in minimising environmental impacts and is embedded within Arqiva. Additionally it investigates how emerging technologies and ingenious ways of working can help it and its customers become more environmentally friendly. As new technologies emerge and legacy equipment is replaced Arqiva looks for the most environmentally-friendly ways to dispose of redundant hardware.

During 2019, the Group kicked off our campaign to reduce reliance on single-use plastics. As part of this recycling journey single use plastic hot drinks cups and plastic water cups have been removed from across our sites.

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 OHSAS18001. The Board of Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

As part of the Group's ongoing commitment to the wellbeing of its employees, a number of employees have been trained during the year as mental health first aiders.

Information security

Due to the critical importance of Arqiva's sites and systems to the Arqiva Group, its customers and, in some cases, as part of the Critical National Infrastructure, the Group takes information security very seriously.

Arqiva is ISO27001 certified in relation to its Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its robustness of security controls and compliance with this internationally recognised standard. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

Additionally Arqiva has maintained its Cyber Security Essentials accreditation. This is a government backed, industry supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since November 2016 and recertifies annually. Moving forward, Arqiva is working to align its Business continuity and Disaster recovery plans to ISO22301 certification.

Employees

The average number of persons employed by the Group during the year was 2,012 (2018: 2,088). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

The Group's policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political belief, disability or age. During the year, the Group has launched a new approach to diversity and inclusion including provision of training to line managers.

The Group continues to address training and development requirements for employees at all levels within the organisation. The Board also reviews future management requirements and succession plans on an on-going basis.

The Arqiva Employee Board ('AEB') has continued throughout the year. The AEB is a democratically elected Board that acts as a voice for employees across Arqiva and provide a clear and direct link between the Group's employees and Senior Executive Management. The AEB continues to meet on a monthly basis to discuss key matters such as performance management, or efficiencies and process in order to develop responsive action plans. The AEB (as well as the Senior Executive Management) also interacts with representatives of BECTU regarding employee matters.

The Group's employee forums provide an effective channel for communication and collective consultation across the Group. They play an important role in

The table below provides a breakdown of the gender of Directors and employees:

	Female Number / %	Male Number / %
Board of Directors	1 / 7 %	13 / 93 %
Senior Executive Management	-	6 / 100 %
Group Employees	362 / 18 %	1,650 / 82 %

Corporate responsibility

enabling employees to help the Group manage change effectively. The goals of each forum are to act as the formal 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 information.

Significant emphasis is placed on employee communication. The Group intranet 'The Hub' makes information available to employees on all matters including company performance, growth, and issues affecting the industry. The embedded values "ingenious, straightforward, and collaborative – Always", continue to form the fundamental basis of all Arqiva business conduct and communication. Arqiva's monthly employee e-magazine – 'Stay Connected' brings together recent news and events as well as the most important things employees need to know for the month ahead.

The Group wants all its employees to benefit from its success and growth as a business. The 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 the values. The scheme takes into account the targets that have been set by the Group. The Group must achieve a minimum EBITDA before a bonus becomes payable which is then calculated based upon the financial KPIs of EBITDA and operating cash performance. The bonus payment for the 2019 financial year will be made in September 2019. In addition, certain members of senior executive management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the long-term incentive plan period. As with the annual bonus scheme, the Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plans which is then calculated based upon the 3-year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash-based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

Gender Pay Gap

In March, Arqiva published our second annual gender pay gap report including details on why we have a pay gap and the actions we are taking. The report demonstrates a reduction versus the gender pay gap reported in the prior year demonstrating the actions we are taking are enabling us to go in the right direction. The full report is available on the Company website at www.arqiva.com

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in supply chains. The full statement is included on page 38 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

In conjunction with the UK Bribery Act 2010, the Group has adopted a Code of Conduct for employees, which incorporates all its anti-corruption policies and procedures. The policies apply to all Arqiva employees employed on both a permanent and temporary basis. The Code of Conduct also sets out the policies and procedures on the giving and receiving of gifts and hospitality.

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which it operates. The total contribution to UK tax receipts including business rates and NI paid by both Arqiva and employees, totalled £83.2m for the financial year (2018: £76.6m).

The Arqiva Group is a primarily UK based infrastructure group; while there are some trading operations outside of the UK these generate less than 1% of operating profit and there are no tax planning activities undertaken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of the UK. 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.

This report was approved by the Board of Directors on 25 September 2019 and signed on its behalf by:

Frank Dangeard
25 September 2019


105.8
BBC
RADIO
KERRANG!
LIFE IS LOUD
95-106
CAPITAL
FM
Premier.
BBC 7
ChristianRadio
where faith comes to life
magic 105.4
KISSTORY
heat
BBC RADIO SCOTLAND
smooth
RADIO
heart
LIFE. LOVE MUSIC.
BBC RADIO ULSTER

Modern Slavery Act: Slavery and Human Trafficking Statement

Overarching Statement

This statement sets out the steps we are implementing to combat slavery and human trafficking. We remain committed to further improving our practices in the future to combat slavery and human trafficking.

Organisation's Structure

We are a communications infrastructure and media services provider, operating at the heart of the broadcast, satellite and mobile communications markets. We're at the forefront of network solutions and services in the digital world. We provide much of the infrastructure behind television, radio, satellite and wireless communications in the UK and have a significant presence in Ireland, mainland Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited, and their respective subsidiaries, and Arqiva Smart Metering Limited are part of the Arqiva group which has its head office in the UK. We have over 2,000 employees and operate in the UK, Ireland, mainland Europe, Asia and the USA.

Arqiva Limited and Arqiva Services Limited (including their respective subsidiaries) and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36 million.

Our Supply Chains

The Arqiva Supply Chain works in partnership with our suppliers, ensuring we meet our internal customer needs. The Arqiva values of Ingenious, Straightforward and Collaborative are core to how we interact with suppliers whether a high volume preferred supplier or one-time only supplier.

We have an exceptionally diverse range of services and goods that are required by the business and sourced by our Procurement team including:

- Transmission – Arqiva has numerous transmission sites throughout the UK;
- Construction – Arqiva undertakes a broad range of construction activities from small changes to the construction of new transmission towers;
- Maintenance & Repairs;
- IT software and managed services;
- Satellite Capacity; and
- Corporate facilities (encompassing stationery, recruitment, legal and professional fees).

Our Policies on Slavery and Human Trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Suppliers are required to comply with our Supplier Code of Conduct, which reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due Diligence Processes for Slavery and Human Trafficking

As part of our initiative to identify and mitigate risk we:

- aim to identify and assess potential risk areas in our own business and our supply chains;
- try to mitigate the risk of slavery and human trafficking occurring in our own business and our supply chains;
- monitor potential risk areas in our own business and our supply chains;
- where possible we build long standing relationships with suppliers and make clear our expectations of their business behaviour;
- expect our suppliers to comply with the Modern Slavery Act 2015 and have their own suitable anti-slavery and human trafficking policies and processes; and
- encourage the reporting of concerns and support the protection of whistle blowers.

Supplier Adherence to our Values

We have zero tolerance to slavery and human trafficking. We expect all those in our supply chain to comply with those values and our Supplier Code of Conduct.

Our Procurement team, reporting in to our CFO, is responsible for promoting and ensuring compliance with the Modern Slavery Act 2015 as part of our supplier relationships.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, all directors and members of the Management Board have been briefed on the subject and we continue to assess training needs for all relevant members of our staff.

Our Effectiveness in combating Slavery and Human Trafficking

We will use the following key performance indicators (KPIs) to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business or supply chains:

- use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct;
- use of our payroll systems.

Steps taken during the financial year to 30 June 2019

In the past financial year, we have taken the following steps to ensure that slavery and human trafficking is not taking place in our supply chains, and in any part of our own business:

a) We have continued to progress a re-qualification process for all of our suppliers, using our e-procurement system. The re-qualification process includes revised background checks and either (a) confirmation of acceptance of the Arqiva Supplier Code of Conduct (which covers modern slavery and human trafficking); or (b) demonstration that the Supplier has its own equivalent policies covering modern slavery and human trafficking. In addition, all incoming suppliers now go through the e-procurement system requiring these confirmations at the outset of the contractual relationship. Purchase Orders cannot be placed with new suppliers before the confirmation has been given.

b) For FYE 30 June 2019, 97.5% of suppliers by spend value in the last financial year have confirmed compliance with modern slavery and human trafficking requirements. Pending formal confirmation from the remaining 2.5% of suppliers, a risk analysis has been carried out on those suppliers. All are considered to be either low or minor risk suppliers due to the nature of the supplies and the make-up of the relevant organisation. A process has been agreed to obtain the remaining confirmations, failing which the suppliers will be placed on hold and no further purchase orders issued.

c) Our Whistleblowing policy has been refreshed and re-modelled as a 'Speak-Up Policy; and an internal audit of its implementation has been undertaken. Company-wide communications reminding all employees of the policy and how to report concerns have been issued.

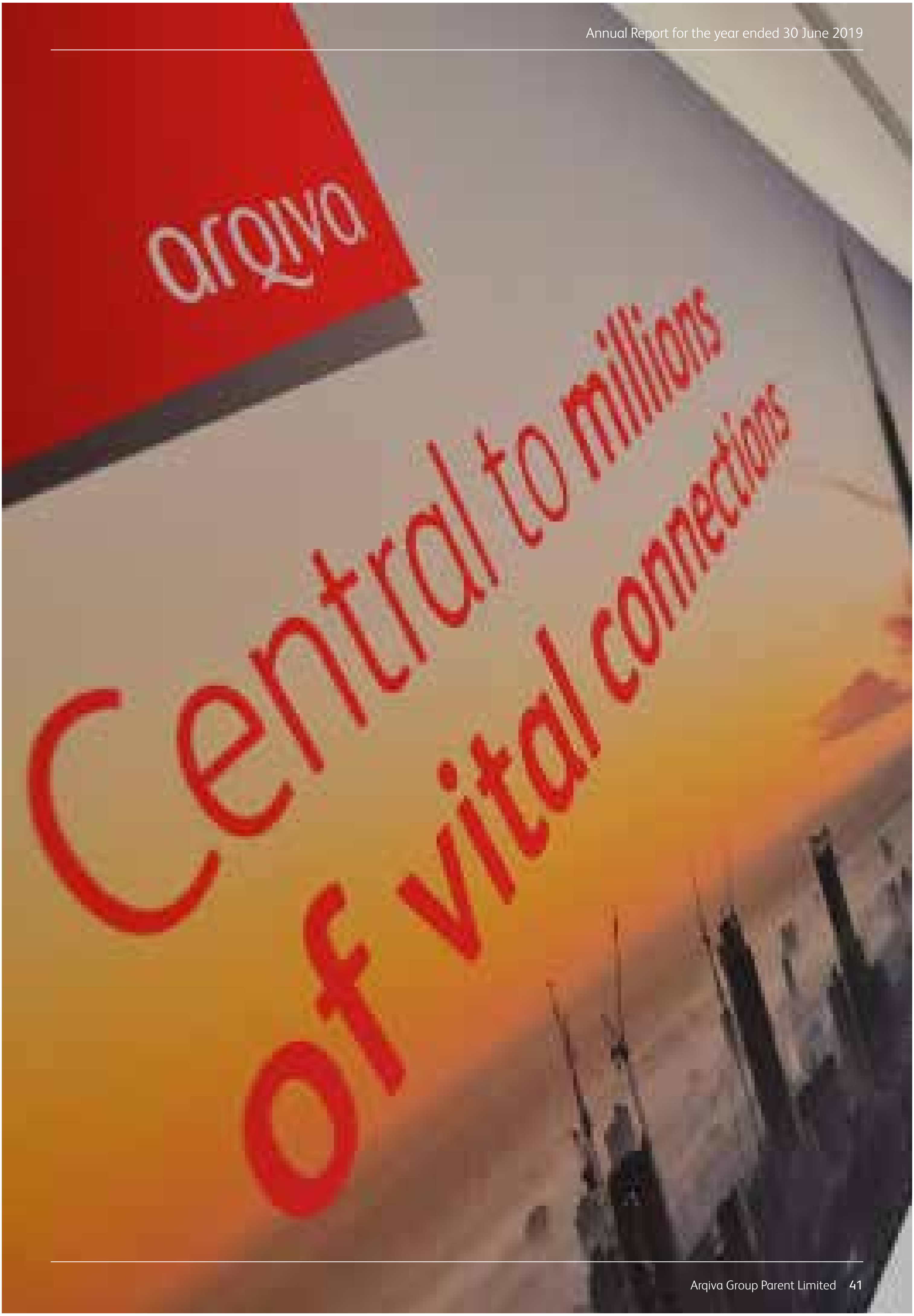
d) Our template supply contracts have been updated and refresher training has been provided to our Procurement team to ensure that appropriate provisions are included when new contracts are entered into.

Statement

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Services Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2019.

Note: The signed statement is available on the company website at www.arqiva.com

Governance


arqiva
Central to millions
of vital connections

Board of Directors and Senior Executive Management

Ownership

The Company 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 Pty Limited (5.5 %), IFM Investors (14.8 %) and the Motor Trades Association of Australia (5.2 %). There is no ultimate controlling party of the Company, as defined by IAS 24 'Related parties'.

There are two investor companies which are related parties with the Group, in accordance with IAS 24, 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).

Board committee membership

A	Audit and Risk Committee
N	Nomination Committee
R	Remuneration Committee
O	Operational Resilience
☐	Committee Chairman

Arqiva Board of Directors

The Group's Board of Directors[1] is comprised of the following officers who were in office (on behalf of the shareholder consortium) during the year and up to the date of the signing of the annual report and financial statements:

Mike Parton, Chairman and Nomination Committee Chairman

Mike has brought a wealth of experience from his background in telecoms and technology. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi.

A $\boxed{N}$ R

Frank Dangeard, Independent Non-Executive Director and Audit and Risk Committee Chairman

In the telecom, media and technology sector, Frank has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. He served on the boards of SonaeCom and Orange, and was Deputy Chairman of Telenor. He is currently on the board of Symantec (US). In the financial sector, he was a Managing Director of SG Warburg and Chairman of SG Warburg France. He served on the boards of Crédit Agricole CIB and Home Credit. He is currently on the board of the RBS Group (UK), and Chairman of NatWest Markets (UK). Frank also held board positions at EDF, RPX and various listed and non-listed companies in Europe, the US, India and the Middle-East.

$\boxed{A}$ O

Sally Davis, Independent Non-Executive Director and Remuneration Committee Chairman

With over 30 years in the TMT sector Sally has held a number of senior product, strategy and chief executive roles including being a former Chief Executive of BT Wholesale, one of the four operating divisions of BT. Prior to this, Sally had an early product management career at Mercury Communications before becoming a director at NYNEX during its merger with Bell Atlantic to become Verizon.

Sally is also a Non-Executive Director of the Boards of Telenor; Logitech; and City Fibre Holdings.

$\boxed{R}$

1 See page 130 for the directors of Arqiva Group Limited, the company, who held office during the year and up to the date of this report.

Arqiva Board of Directors (continued)

Simon Beresford-Wylie, Chief Executive Officer

Simon brings a wealth of experience gained from over 30 years in the information technology, broadcast and telecoms sectors.

He previously helped guide the strategy and operations of Samsung Electronics' network business in Seoul, Korea. Prior to this he was CEO of UK-based Digital Mobile Spectrum Limited (DMSL) – also known as At800 – which was established as a 4G licence condition by Ofcom and is responsible for mitigating interference issues that arise as a consequence of the co-existence of DTT television and 4G mobile in the 800MHz band.

Between 2009 and 2012, Simon was CEO of Elster Group (SE). He led the company through a period of growth and also a successful listing on the New York Stock Exchange. Additionally 11 years with the Nokia Corporation saw him latterly serving on the Group Executive Board responsible for the Group's Network Business. He was also the founding CEO of Nokia Siemens Networks which today accounts for around 90% of Nokia's global revenues and profits.

Sean West, Chief Financial Officer

Sean was appointed as Chief Financial Officer in May 2019 having joined Arqiva in 2015 as Director of Treasury and Corporate Finance.

Sean has a background in all areas of corporate finance and financing, and as Director of Treasury and Corporate Finance was responsible for all aspects of the Group's capital structure.

Prior to joining Arqiva, Sean held senior corporate finance and treasury positions at the Intermediate Capital Group (ICG) and LandSec and brings a wealth of experience across a range of industries and financial markets.

Appointed by Frequency Infrastructure Communications Assets Limited:

Mike Darcey, Director

Mike was appointed on 10th September 2018.

Mike has over 25 years' experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. He has also provided strategic advisory services to a range of clients in the media industry.

Mike has served or is currently serving on Boards including Dennis Publishing (UK) Ltd (Chairman), M247 (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand (Director).

N

Martin Healey, Director

Martin heads up the Real Assets Strategy Group at Canada Pension Plan Investment Board. He is a member of CPPIB's global committee for equity investments into real estate, infrastructure and power & renewables, as well as real estate debt.

Since joining CPPIB, Martin has led the development of several new investment programs, making CPPIB's first real estate investments into a number of new countries and sectors. He founded the Private Real Estate Debt group in 2010.

Prior to joining CPPIB in 2005, Martin held transactional roles in the real estate investing, commercial lending and investment banking industries based in the UK, Canada and the United States.

A O

Neil King, Director

Neil runs the European infrastructure business at CPP Investment Board. He has over twenty five years of experience in the infrastructure market, including ten years at 3i as a founding partner in its infrastructure investment business before joining CPPIB in 2015.

Neil is also a non-executive director at Interparking S.A., a European car parking business which is in CPPIB's infrastructure investment portfolio.

N R

Board of Directors and Senior Executive Management

Appointed by Frequency Infrastructure Communications Assets Limited: (continued)

Peter Adams, Director (alternate)

Peter is a Principal in the Infrastructure group at CPP Investment Board, based in London.

Prior to joining CPP Investment Board in September 2010, Peter was with the Boston Consulting Group, where he advised clients in the U.S., Canada and Europe on strategy and operations.

Appointed by Macquarie European Infrastructure Fund II:

Nathan Luckey, Director

Nathan is a Managing Director in Macquarie Infrastructure and Real Assets, and holds a number of non-executive directorship roles for companies within MIRA's investment portfolio. Nathan is a qualified Mechanical Engineer, with expertise across the utilities, telecommunications, transportation and media sectors.

O

Mark Braithwaite, Director

Mark is a Senior Managing Director in Macquarie Infrastructure and Real Assets. Mark was previously Chief Financial Officer of Thames Water, the UK's largest water and wastewater services company. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc, and before that held a number of senior Finance positions at Seeboard plc. Mark has other non-executive directorship roles for companies within MIRA's investment portfolio and is also a trustee of Leadership through Sport & Business, a UK social mobility and employability charity.

A N R

Appointed by IFM Investors:

Christian Seymour, Director

Christian is Head of Infrastructure at IFM Investors, responsible for the business expansion in Europe and oversight of IFM's existing European asset portfolio, of which Conyers Trust Company is an investment vehicle.

A N R O

Max Fieguth, Director (alternate)

Max is responsible for asset management of existing investments for IFM Investors, as well as supporting the execution of infrastructure transactions. Prior to joining IFM Investors, Max worked as a Consultant in the Operations Practice at McKinsey and prior to that at Bechtel on a number of infrastructure projects. He holds a Masters in Mechanical Engineering from Imperial College London, an MBA from INSEAD and is a Chartered Engineer with the Institution of Mechanical Engineers in the UK.

Appointed by IFM Investors and Motor Trades Association of Australia (joint appointment):

Paul Donovan, Director and Operational Resilience Chairman

Paul was appointed on 10th September 2018.

Paul is currently CEO of the CH Foundation, a not for profit organisation. He has over twenty years' experience in senior executive roles across the technology, media and telecommunications sectors, as a member of the Executive Committee at Vodafone Group, and as CEO at eircom Group and Odeon and UCI Cinemas. Paul holds an MBA from Bradford University where he is also an Honorary Doctor.

A R O

Senior Executive Management

(also includes the Chief Executive Officer and the Chief Financial Officer on page 43)

David Crawford, Managing Director, Telecoms & M2M

- Appointed **Arqiva** Managing Director Telecoms & M2M in April 2018, previously managing Director of our Satellite and Media business
- Commercial leadership roles at **Cable & Wireless** and **Capita**
- Other previous positions at **Jardine Matheson** and **Bain**

Steve Holbrook, Managing Director, Media Networks

- **Arqiva** since 1995, heading the recently formed Media Networks business, previously Managing director Terrestrial Broadcast
- Other previous positions at **Mercury Communications, Kingston Satellite Services, British Aerospace** and **British Telecom International**

Alex Pannell, Commercial Director, Video & Data, Media Networks

- **Arqiva** since 2012, appointed to the Management Board in 2018 within Satellite and Media
- Director in **BT Wholesale**
- Other previous positions at **Concert Communications**

Neil Taplin, Director of People and Organisation

- Appointed Director of People and Organisation in October 2018, previously Director of Operations in the Terrestrial broadcast business having been with **Arqiva** since 2015
- Senior operations roles at **Virgin Media**

Clive White, Group Transformation Director

- **Arqiva** since April 2018
- Previous transformation positions at **RSA, Lloyds Banking Group, Accenture, AT&T Global Network** and **BSkyB**

Jeremy Mavor, General Counsel

- Appointed to the **Arqiva** Management Board in January 2018, having joined the Company in 2013
- Previously solicitor at **Allen & Overy**

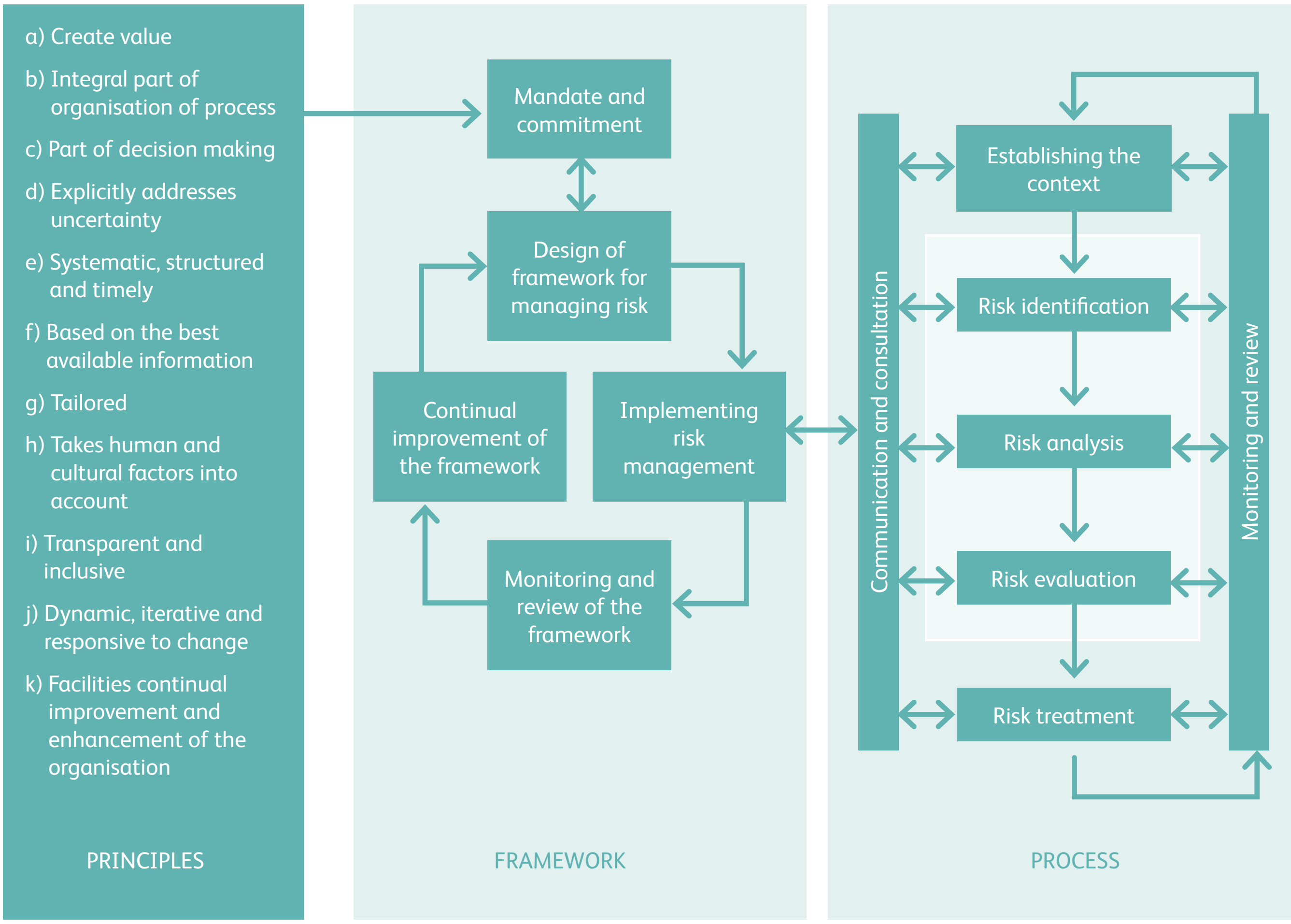
Principal risks and uncertainties

Arqiva's approach to risk management is as follows:

- Arqiva recognises that the effective management of risk is essential to achieve its business objectives.
- Arqiva adopts an Enterprise Risk Management ('ERM') approach, which is recognised as 'best practice' for top performing companies.
- Managing risk is a core responsibility of management at all levels and is a key component of governance and compliance.
- Arqiva aims to embed risk management principles into the culture of the organisation.

Enterprise wide management of risk is important for Arqiva to meet its corporate objectives and for it to protect future competitive advantage. The strategic importance of risk management is recognised by top performing companies and is an important part of good corporate governance. Arqiva subscribes to the Enterprise Risk Management approach to managing its risk profile.

Arqiva has adopted ISO31000 as its Enterprise Risk Management standard and ISO Guide 73 terminology. Arqiva has also adopted the ISO 27000 series for Information Security including ISO/IEC 27005 for Security Risk Management which operates within the Arqiva ERM Framework. Our statements and principles are linked to our process through our risk management framework.



The Managing Director of each business unit has responsibility for maintaining and updating their line of business risk register, which includes utilising the standardised approach to risk assessment and risk monitoring. The Group's centralised Audit and Risk function provides training and support to ensure risks are captured effectively and on a timely basis. Risks are formally discussed with the Chief Executive Officer as part of the existing quarterly business performance reviews highlighting the significance of the link between performance and effective risk management. The Audit and Risk function works with the Chief Executive Officer to review and consolidate the most significant business risks into a corporate risk register for scrutiny at quarterly Senior Executive Management and Audit Committee meetings. The Senior Executive Management takes recommendations for ensuring the risk management framework remains effective going forward.

Business Unit Management:

First defence is the day to day controls and processes put in place by management to identify risks and develop mitigating actions.

Senior Executive Management:

Quarterly review of the corporate risk register to include review of risk management policies, setting of risk appetite, monitoring compliance and reporting of significant risks to the Board of Directors.

Audit and Risk function / Audit committee:

Independent business assurance provided over the effectiveness of the Group's system of internal controls and processes, and the effectiveness of the risk management framework.

Principal risks and uncertainties

Management have identified the following risks as the most significant business risks affecting the Group, presented together with identified mitigating actions.

*Business units have been abbreviated as follows: Media Networks ('MN'), Telecoms & M2M ('T')

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Reputational	All	Bad publicity damages Arqiva's reputation and customer and business partner confidence and its ability to do business as a result of: ▸ A major event or incident impacting our services; ▸ Untimely delivery on major projects; ▸ Repeated unexpected service outages; ▸ Security breach on networks; or ▸ Major network or equipment failure or obsolescence or inability to configure to comply with information security standards.	The Group carefully engages with its customers to ensure that project milestones are carefully managed, and management regularly review the progress status of all projects. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. The Group continues to invest in its infrastructure.	Arqiva has continued to achieve its target result for 'network availability' (see page 28) and has continued to meet its contractual milestones on its major contractual programmes (see page 28). The Group maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees. Business Continuity Working Group continues to meet on a monthly basis and will test and roll out the Disaster Recovery plan. Continued capital expenditure in the year to improve infrastructure. Continuing to implement the transformation programme across the business including IT systems to ensure they are up to date and supported through support of Transformation board and regular meetings with the Management Board
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering. Risk of mental health issues as a result of significant organisational changes.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety and site security.	During the year, Arqiva maintained its compliance with OHSA518001 regarding safety management. Mental health strategy has been implemented including improving general awareness particularly amongst line managers. A team of mental health first aiders have been trained and are available across the organisation.

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Technological	MN	Developments in alternative broadcast technologies, such as internet connected TV, which competes against the Group's DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition, Arqiva 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 involvement in Freeview Play. Arqiva has been rolling out national and commercial local DAB in line with its 'New Radio Agreement' with the BBC and government targets which helps to ensure it remains at the forefront of this future technological change.	Arqiva remains in dialogue with relevant stakeholders for the review into timeframes for full analogue radio switchover. Arqiva has completed upgrades to the DAB network to remain in a strong position to support a future switch over. The business model of Arqiva has been reviewed to ensure focus on core markets. The alignment of the Terrestrial Broadcast and Satellite and Media business units has been established to be able to bring a more streamlined approach to changes in the market with regards to new developments in content delivery.
Political	T, MN	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes and licensing. The uncertainty over a deal for Britain's exit from the European Union heightens the uncertainty over future policy and economic conditions and pressure on future refinancing requirements.	Arqiva maintains regular dialogue with its stakeholders to ensure the delivery of its programmes are efficient, timely and to specification. Where specification changes occur Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of those costs through mechanisms in its contracts. Arqiva's assets and operations remain predominantly in the UK and therefore its business has minimal exposure to the changing relationships with international markets. Additionally, we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope change requests on its smart energy metering programme with its customer demonstrating the customer's continued focus on network roll out. Arqiva has continued to achieve its target result for 'network availability' (see page 28) and has continued to meet its contractual milestones on its major contractual programmes (see page 28). Arqiva has continued engagement with Ofcom regarding licensing arrangements. Debt markets have continued to be monitored for accessibility and open dialogue maintained with ratings agencies. Evolving commercial negotiations are closely monitored.
Operational	All	Information, networks and systems, or communications infrastructure may be subjected to cyber security threats leading to a loss or corruption of data, penalties and impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	The Group maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Group's approach to disaster recovery and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. Arqiva has continued to pass its quarterly security reviews and has consequently retained its ISO certification. Communication and training have been maintained with employees to ensure awareness of potential cyber security threats. Site inspections are completed with a focus on older sites and structural maintenance plans have been implemented.

Principal risks and uncertainties

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Operational (continued)	T, MN	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of its major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customers to ensure that these requirements are sufficiently available.	Arqiva has continued to meet its contractual milestones on its major contractual programmes (see page 28).
	All	Customer relationships, operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of its people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for its leadership team. Additionally the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention. Retention plans have continued to be implemented for key individuals particularly through significant organisational changes.
Demand	T	The level of demand for wireless communications and impact on demand for access to the Group's towers and keeping competitive in the market.	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.	Arqiva is continuing to support the MNOs in focussing on products essential to their strategy and maintaining active engagement with customers particularly surrounding contract renewals. Arqiva has maintained strong customer engagement and remain actively engaged with customers to be able to continue delivery and service excellence.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 51.		

Directors' report

The Directors of Arqiva Group Parent Limited ('AGPL'), registered company number 08085794, ("the Company") and its subsidiaries ("the Group") submit the annual report and audited consolidated financial statements ("financial statements") in respect of the year ended 30 June 2019.

The Company is a holding company with an investment in a group of operating companies, financing companies and other holding companies.

The Directors' report for the Company is set out on page 130.

Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 48). As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to a variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

The key financial risks affecting the Group are set out below together with a summary of how these risks are managed:

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate swaps. The Group has, however, elected not to apply hedge accounting meaning gains or losses are recognised through the income statement as fair values fluctuate (2019: £13.7m losses; 2018: £90.3m gains). Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts.
Financing risk	The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities, so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date. With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Group is exposed to credit risk on customer receivables. The Group is exposed to counterparty risks in its financing operations.	This 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 uncollectible debts. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Directors' report

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2019 the Group had £20.3m cash and £355.0m available undrawn facilities to meet planned growth and working capital requirements. In addition, the Group has £250.0m of liquidity facilities available to cover senior interest payments if required and a £30.0m facility to support 'Comms Hub Receivables Purchasing'. The Board consider the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Purchase price risk	Energy is a major component of the Group's cost base and is subject to price volatility.	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. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. 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 is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated private placement notes. Details of the cross-currency swaps are provided in note 25.

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 46).

Audit and Risk Committee

The Audit and Risk Committee is chaired by Frank Dangeard, an independent non-executive director, and includes representation from the Board of Directors. The Audit and Risk Committee monitors the integrity of the Group's financial statements and the effectiveness of the external audit process. It has the responsibility for ensuring that an appropriate relationship exists between the Group and the external auditors, including a review of non-audit services and fees.

In addition, it has responsibilities of oversight of risk management procedures, monitoring compliance and regulatory issues (including whistle-blowing arrangements), and reviewing the effectiveness of the Group's internal controls and internal audit function. The internal audit function agrees its annual audit plan with the Audit Committee and regularly reports its finding and recommendations to it.

The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties, and to obtain any external legal or other professional counsel it requires.

Meetings of the Committee are attended, at the invitation of the Chairman of the Committee, by the external auditors, the Chief Executive Officer, the Chief Financial Officer and representatives from the business as required.

In September 2018, the Board rotated the role of Chairman of Audit and Risk Committee. Frank Dangeard joined Arqiva as an independent non-executive on 10th September 2018 and has been appointed as Chairman of the Committee, replacing Paul Dollman who resigned as Director on the same date.

During his executive career in the telecoms, media and technology sector, Frank Dangeard has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. Prior to that, he was Chairman of SG Warburg France and a Managing Director of SG Warburg. He is a member of the boards of Symantec (US), RPX (US) and the RBS Group (UK) and Chairman of NatWest Markets (UK). Previously he served on the board of Crédit Agricole CIB, Home Credit, Electricité de France, Orange, SonaeCom and as Deputy Chairman of Telenor. A graduate from Ecole des Hautes Etides Commerciales (Prix Jouy-Entreprise), the Paris Institut d'Etudes Politiques (Lauréat) and the Harvard Law School (HLS Fellow, Fulbright Scholar).

Internal audit

The Audit and Risk Committee is responsible for reviewing the work undertaken by the Group's internal audit function, assessing the adequacy of the function's resource and the scope of its procedures. The Group's internal audit plan incorporates an annual rolling review of business activities and incorporates both financial and non-financial controls and procedures.

External audit

The Audit and Risk Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the Group's external auditor. The Committee makes an assessment of the auditors' independence and objectivity taking into account the relationship with the auditors as a whole, including the provision of any non-audit services.

PwC were re-appointed as external auditor in 2016 following a competitive tender process.

The auditors have provided certain non-audit services, principally in relation to assurance services for financing transactions and certain non-audit assurance. The Audit and Risk Committee considers the acceptability of all non-audit services with the auditors in advance of commencement of work to confirm acceptability and ensures that appropriate safeguards of audit independence are established and applied, such as partner rotation.

Remuneration Committee

The Remuneration Committee, chaired by Sally Davis, is established to make recommendations to the Board regarding executive remuneration, including pension rights, and to recommend and monitor the level and structure of remuneration for each member of the Senior Executive Management. Additional oversight is extended to setting and monitoring reward and incentive policies, including the group-wide annual bonus scheme, long-term incentive scheme, and reviewing and making recommendations in relation to wider reward policies.

Nomination Committee

The Nomination Committee, chaired by Paul Donovan, is established to give oversight to the size, structure and composition (including skills, experience, independence, knowledge and diversity) of the Board to ensure that the continued leadership ability is sufficient to allow the business to compete effectively in the market. This also includes oversight of the succession planning for directors (and other senior management where appropriate).

Operational Resilience Committee

The Operational Resilience Committee, chaired by Paul Donovan, has oversight of the adequacy and effectiveness of the operational resilience strategies and procedures of the Group (including principles, policies and practices adopted in complying with all statutory, and sub-statutory, standards and regulatory requirements in respect of safety, health and environment ('SHE') matters affecting the activities of the Group). This includes consideration and risk management of areas of significant and individual cyber security, physical security, business continuity and SHE risk.

Equal opportunities policy

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. Further information on how Arqiva supports its employees can be found on page 35.

Political donations

No political donations were made during the year (2018: none).

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. The research costs expensed in the year were £6.1m (2018: £4.3m). In addition, the Group carries out research and development as part of its contract bid processes and these costs are expenses as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £2.9m (2018: £2.7m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within property, plant and equipment. The Group's capital expenditure in the year was £134.3m (2018: £174.4m) and includes capitalised labour of £42.1m (2018: £51.5m). Other development costs would be capitalised within intangible assets. In the year, development costs capitalised total £2.1m (2018: £5.6m), with amortisation of £3.5m (2018: £2.8m) charged against such capitalised development costs.

Directors' report

Overseas branches
The Group has trading branches based in the Isle of Man, the Channel Islands and France.

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

Dividends and transfers to reserves
The Company has declared no dividends in the year (2018: none). Group companies which include a non-controlling interest, Now Digital (East Midlands) Limited and South West Digital Radio Limited, declared dividends in the year of £0.8m and £nil respectively (2018: £0.3m and £0.1m respectively). The consolidated loss for the year of £77.4m (2018: profit of £265.2m) was transferred to reserves.

Going Concern
The Strategic report includes information on the structure of the business, our business environment, financial review for the year and uncertainties facing the Group. Notes 21,23 and 25 of the consolidated financial statements include information on the Group's cash, borrowings and derivatives; and financial risk management information presented within this report.

The Directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements, including the repayment profile of borrowings, and facilities available to the Group. The Directors continue to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future and consequently adopt a going concern basis in preparing the consolidated financial statements.

Future developments
The Group plans to continue to invest in its business units in accordance with its strategy. Further detail is contained within the Strategic report on pages 17-18.

Ownership and Directors
A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 42.

At 30 June 2019, Mike Parton was the Group's independent Chairman. Jeremy Mavor is the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 42.

Details of the statutory directors of the Company are shown on page 130.

Directors Indemnities
The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity for the purposes of the Companies Act 2006. The indemnity was in force during the full financial year and up to the date of approval of the financial statements.

Disclosure of information to the Independent Auditors
The Directors of the Group 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.

On behalf of the Board

Frank Dangeard
Director
25 September 2019

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 such financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and 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.

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.

Financial Statements

Group financial statements

Company financial statements

Independent Auditors’ report to the Members of Arqiva Group Parent Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Group Parent Limited’s Group financial statements and Company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the Company’s affairs as at 30 June 2019 and of the Group’s loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 30 June 2019; the Consolidated income statement and the Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £16.7m (2018: £16.5m), based on 5% of profit before interest, tax, exceptional items and other gains and losses.
- Overall Company materiality: £34.9m (2018: £50.6m), based on 1% of total assets.

- For the Group financial statements we performed an audit of the complete financial information of 6 entities and the consolidation. We also conducted audit procedures on specific line items for 3 entities.
- The audit work performed gave us coverage of 98% of revenue and 91% of profit before interest, tax, exceptional items and other gains and losses.
- All entities have been audited by the Group team and hence no component auditor has been involved in the audit of the Consolidated financial statements.

- Revenue and profit recognition on complex contracts (Group), and fraud in revenue (All revenue streams)
- Accruals and provisions, including amounts relating to infrastructure, decommissioning of sites and bonuses (Group).
- Valuation of financial instruments (Group).
- Classification of exceptional items (Group).
- Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company).
- Recognition of deferred tax asset (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Revenue and profit recognition on complex contracts (Group) Refer to page 75, page 83 and page 85 (note 3- significant accounting policies – revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty – revenue recognition and note 5 – revenue and segmental information). The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining the separate deliverables, the related revenue and costs to complete and therefore the margin to be recognised.	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2019 and for all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the performance obligations were separately identified and performed testing over the amounts of revenue allocated to each performance obligation to ensure the revenue recognition is appropriate. For each element of revenue we assessed the extent of performance of deliverables that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, and assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate. For revenue and margin recognised on a percentage of completion basis we assessed the costs incurred to date and forecast for the relevant deliverable, to determine the percentage of completion. We ensured the amount of revenue recognised was consistent with this calculation. Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery and validated this to the signed contract variation addendums. We assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IFRS 15, and assessed the amount of transition adjustments arising on implementation of IFRS15. For the profit recognised we compared the current year margin percentage with the past profit percentage and forecast percentage margins for the deliverable, obtaining explanations for variations where necessary. Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.

Key audit matter	How our audit addressed the key audit matter
Fraud in revenue recognition (Group) Refer to page 75, page 83 and page 85 (note 3- significant accounting policies – revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty – revenue recognition and note 5 – revenue and segmental information). The Group has recorded £990.4m of revenue (2018: £964.2m). There is a risk that revenue may be fraudulently recorded and may not exist. We assessed the risk of fraud in revenue recognition and determined this to differ between non-complex, recurring revenue and revenue from complex contracts. For non-complex recurring revenue we determined risk of fraud in revenue recognition to be primarily at a journals level including the recognition of year end accrued and deferred revenue. For complex contracts there is additional risk surrounding the fraud in revenue recognition due to the complexities and judgements involved. The additional testing performed over these has been described in the key audit matter above.	For all of revenue, we performed risk based testing over a sample of journals to revenue which do not follow the expected posting entries. For the journals selected we have traced back to supporting documentation without exception. We performed testing over the year end accrued and deferred revenue which included agreeing amounts to supporting documentation such as underlying contracts and invoices. We did not identify any issues as a result of our work performed.
Accruals and provisions (Group) Refer to page 83 and page 116 (note 4- critical accounting judgements and key sources of estimation uncertainty – provisions and contingent liabilities and note 26 – provisions). Arqiva's business results in recognising complex accruals and provisions including those related to infrastructure across the extensive asset portfolio, various bonus accruals and decommissioning provisions. As there is an element of estimation involved, there is considered to be a risk that these balances may not be appropriately determined.	On a sample basis, we tested the accounting for accruals and provisions to supporting documentation and have challenged management where judgement has been applied, to corroborate the reasonableness of assumptions made with either historic performance or alternative evidence. This included: • for rent, rates and power, understanding the processes for identifying and aggregating accruals and testing on a sample basis for accuracy and completeness by agreeing to supporting documentation; for the decommissioning provision we obtained management's calculations and assumptions and confirmed that the methodology applied is appropriate. We assessed the reasonableness of the assumptions in conjunction with the asset plan, decommissioning cost estimates and actual experience, and the appropriateness of the discount rate; for bonuses, we agreed the assumptions used to the current year outcome and, where relevant, to the long term plan which has been approved by the board. From our work, we have not identified any material differences or where the rationale for recognition of an accrual/provision was not considered appropriate.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of financial instruments (Group) Refer to page 78, page 84 and page 109 (note 3- significant accounting policies – financial instruments, note 4- critical accounting judgements and key sources of estimation uncertainty – fair value measurements and valuation processes and note 25 –financial instruments and risk management). The Group holds a number of derivative financial instruments comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of those instruments using valuations provided by the counter party institutions with adjustments made by management for counter party credit risk. This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved.	We engaged our valuations experts to assist with the audit of the counter parties' valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. This recalculated the fair value using our internal valuation model for every instrument which was then compared to the amount recognised in the financial statements. There were no material differences arising between the Group fair values of derivative financial statements recognised and our valuations.
Classification of exceptional items (Group) Refer to page 91 (note 7 – exceptional items). Costs of £12.5m have been classified as exceptional items in the current year financial statements. One of the Group's financial reporting KPIs is EBITDA prior to exceptional items. There is a risk that some non-exceptional costs could have been incorrectly classified as exceptional costs.	We assessed the disclosed accounting policy for compliance with accounting standards and for consistency of application. We scanned the listing of exceptional items for costs that appeared unusual to us in the context of the accounting policy and tested a sample of items to assess whether such items were appropriately classified. We considered our knowledge of the business, one-off transactions that have occurred during the year and results of other audit procedures to gain comfort over completeness of the exceptional items. Our testing did not identify any material misstatements in the amounts or presentation of exceptional items.
Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company) Refer to page 84, page 96 and page 98 (note 4- critical accounting judgements and key sources of estimation uncertainty – Impairment of goodwill, note 14 –goodwill and note 15 – other intangible assets) and page 135 (note 3 – Investments). IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of all indefinite lived intangible assets, such as goodwill.	We obtained an understanding of the allocation of goodwill to business units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the accuracy of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of intangibles and goodwill for each business unit. These included the assumptions for revenue and cost growth, capital expenditure and the discount rate used.

Key audit matter	*How our audit addressed the key audit matter*
The Group's intangible assets and goodwill are material, amounting to £2,026.3m, and the impairment reviews performed over these include a number of assumptions which are subject to management judgement. The Company has significant investments in subsidiaries of £3,493.3m.	We involved our valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and confirmed this was calculated using an acceptable methodology and in line with what we would expect We reviewed management's sensitivity analysis and performed our own sensitivity analysis considering various scenarios impacting key assumptions, including forecast cash flows, terminal growth rate and discount rates. Based on this testing, we considered whether the carrying value of these intangibles was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. For the Company's investment in subsidiaries we have compared the higher of value in use and fair value less costs to sell with the carrying value of the investments held. When considering recoverable value we have agreed key estimates to supporting evidence including verifying the appropriateness of the assumptions for revenue and cost growth, capital expenditure and the discount rate used, where applicable. Our testing did not identify any material differences to the position reflected in the financial statements.
Recognition of deferred tax asset (Group) Refer to page 83 and page 103 (note 4- critical accounting judgements and key sources of estimation uncertainty – deferred tax and note 20 – deferred tax) In the prior year, a deferred tax asset of £208m was recognised following the introduction of legislation which restricts interest deductions. In the current year, £10.3m was utilised, leaving a deferred tax asset at yearend of £197.7m which has been assessed for recoverability as part of our yearend procedures. A further £72.0m of potential deferred tax assets have not been recognised as they are not considered to be recoverable. There are management judgements involved in the determination of the elements of the deferred tax asset to recognise and the value of that recognition, including the extent to which there are foreseeable taxable profits.	We obtained management's detailed workings which set out the various elements of the deferred tax asset and rationale as to why these should or should not be recognised and assessed the appropriateness of this in conjunction with our taxation specialists. We challenged management's assumptions in relation to tax losses and the evidence available to support the recognition of losses arising in various entities, including consideration of whether specific steps are required in order to enable the value of the losses to be realised and the stage of Arqiva's steps towards recovery. We obtained management's forecast of taxable profits and agreed those to the approved long term plan. The calculations of the forecast taxable profits were reviewed, and an analysis of the sensitivity of the utilisation horizon to variations in EBITDA was considered.

Key audit matter	***How our audit addressed the key audit matter***
	As a result of our work performed no material differences were noted in respect of the amount of deferred tax asset recognised in the financial statements at 30 June 2019.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Arqiva Group Limited's business is carried out through two principal trading subsidiaries, aligned into three customer-facing business units; Terrestrial Broadcast, Telecoms & M2M and Satellite and Media, supported by the Group's corporate functions. In FY20, these will be aligned into two customer-facing business units; Telecoms & M2M and Media Networks. In addition, there are a number of entities which provide financing to the operations.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£16.7m (2018: £16.5m).	£34.9m (2018: £50.6m).
How we determined it	5% of profit before interest, tax, exceptional items and other gains and losses.	1% of total assets.
Rationale for benchmark applied	Based on our professional judgement, profit before interest, tax, exceptional items and other gains and losses is an appropriate measure to assess the performance of the Group, and is a generally accepted auditing benchmark.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £8.4m and £15.9m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75m (Group audit) (2018: £0.75m) and £0.75m (Company audit) (2018: £0.75m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Graham Lambert

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
25 September 2019

Consolidated income statement

	Notes	Year ended 30 June 2019 Pre-exceptional items £m	Exceptional items £m	**Total £m**	Year ended 30 June 2018[1] Pre-exceptional items £m	Exceptional items £m	**Total £m**
Revenue	5	990.4	-	990.4	964.2	-	964.2
Cost of sales		(346.6)	-	(346.6)	(323.0)	-	(323.0)
Gross profit		**643.8**	-	**643.8**	**641.2**	-	**641.2**
Depreciation	16	*(184.1)*	-	*(184.1)*	*(166.3)*	-	*(166.3)*
Amortisation	15	*(15.8)*	-	*(15.8)*	*(16.7)*	-	*(16.7)*
Impairment	15,16	-	-	-	*(4.4)*	-	*(4.4)*
Other operating expenses[2]	7	*(116.4)*	*(12.5)*	*(128.9)*	*(121.8)*	*(9.5)*	*(131.3)*
Total operating expenses		(316.3)	(12.5)	(328.8)	(309.2)	(9.5)	(318.7)
Other income		7.5	-	7.5	4.6	-	4.6
Share of results of associates and joint ventures	17	-	-	-	0.2	-	0.2
Operating profit	6,7	**335.0**	(12.5)	**322.5**	**336.8**	(9.5)	**327.3**
Finance income	9	2.5	-	2.5	1.7	-	1.7
Finance costs	10	(348.8)	-	(348.8)	(347.9)	-	(347.9)
Other gains and losses[1]	7,11	(22.8)	-	(22.8)	92.3	0.1	92.4
(Loss)/profit before tax		**(34.1)**	(12.5)	**(46.6)**	**82.9**	(9.4)	**73.5**
Tax	12			(30.5)			226.2
(Loss)/profit for the year				**(77.1)**			**299.7**
Attributable to:							
Owners of the Company				(77.4)			299.3
Non-controlling interests				0.3			0.4
				(77.1)			**299.7**

All results are from continuing operations. Further comments on consolidated income statement line items are presented in the notes to the financial statements.

Figures at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.
[2] Exceptional items are presented to assist with the understanding of the Group's performance. See note 7 for further information.

Consolidated statement of comprehensive income

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
(Loss)/profit for the year		**(77.1)**	**299.7**
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	30	(5.1)	10.8
Movement on deferred tax relating to pension schemes		0.9	(1.8)
		(4.2)	**9.0**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		2.5	0.2
Total other comprehensive (loss)/income		**(1.7)**	**9.2**
Total comprehensive (loss)/income		**(78.8)**	**308.9**
Attributable to:			
Owners of the Company		(79.1)	308.5
Non-controlling interests		0.3	0.4
		(78.8)	**308.9**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Consolidated statement of financial position

	Note	30 June 2019 £m	30 June 2018[1] £m
Non-current assets			
Goodwill	14	1,979.0	1,980.6
Other intangible assets	15	47.3	59.0
Property, plant and equipment	16	1,711.1	1,770.4
Deferred tax	20	197.7	208.0
Retirement benefits	30	22.0	20.6
Interest in associates and joint ventures	17	0.1	0.1
		3,957.2	**4,038.7**
Current assets			
Trade and other receivables	18	232.4	238.7
Contract assets[2]	18	33.5	40.4
Cash and cash equivalents	21	13.4	10.3
		279.3	**289.4**
Total assets		**4,236.5**	**4,328.1**
Current liabilities			
Trade and other payables	22	(1,418.1)	(1,289.3)
Contract liabilities[2]	22	(176.6)	(173.4)
Borrowings	23	(503.4)	(137.3)
Provisions	26	(6.2)	(2.8)
		(2,104.3)	**(1,602.8)**
Net current liabilities		**(1,825.0)**	**(1,313.4)**
Non-current liabilities			
Contract liabilities[2]	22	(248.6)	(283.1)
Borrowings	23	(2,228.7)	(2,720.4)
Derivative financial instruments	25	(1,001.8)	(1,030.8)
Provisions	26	(73.6)	(64.8)
		(3,552.7)	**(4,099.1)**
Total liabilities		**(5,657.0)**	**(5,701.9)**
Net liabilities		**(1,420.5)**	**(1,373.8)**
Equity			
Share capital		0.1	0.1
Accumulated losses		(1,576.7)	(1,495.1)
Merger reserve		(188.5)	(188.5)
Capital contribution reserve		344.2	311.9
Translation reserve		(0.6)	(3.1)
Total equity attributable to owners of the Parent		(1,421.5)	(1,374.7)
Non-controlling interest		1.0	0.9
Total equity		**(1,420.5)**	**(1,373.8)**

These financial statements on pages 66 to 138 were approved by the Board of Directors and authorised for issue on 25 September 2019. They were signed on its behalf by:

Frank Dangeard – Director

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.
[2] Contract assets and contract liabilities are presented separately from other assets and liabilities following adoption of IFRS 15 on 1 July 2018. See note 33 for further information.

Consolidated statement of changes in equity

	Note	Share capital* £m	Accumulated losses £m	Merger reserve £m	Capital contribution reserve £m	Translation reserve £m	Total Equity attributable to owners of the Parent £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2017[1]		**0.1**	**(1,803.4)**	**(188.5)**	**311.9**	**(3.3)**	**(1,683.2)**	**0.6**	**(1,682.6)**
Profit for the year		-	299.3	-	-	-	299.3	0.4	299.7
Other comprehensive income		-	9.0	-	-	0.2	9.2	-	9.2
Total comprehensive income		-	308.3	-	-	0.2	308.5	0.4	308.9
Dividends paid	13	-	-	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2018[1]		**0.1**	**(1,495.1)**	**(188.5)**	**311.9**	**(3.1)**	**(1,374.7)**	**0.9**	**(1,373.8)**
Loss / (profit) for the year		-	(77.4)	-	-	-	(77.4)	0.3	(77.1)
Other comprehensive (loss)/income		-	(4.2)	-	-	2.5	(1.7)	-	(1.7)
Total comprehensive (loss)/income		-	(81.6)	-	-	2.5	(79.1)	0.3	(78.8)
Representation of capital contribution – see note 12		-	-	-	16.4	-	16.4	-	16.4
Capital contribution		-	-	-	15.9	-	15.9	-	15.9
Dividends paid	13	-	-	-	-	-	-	(0.2)	(0.2)
Balance at 30 June 2019		**0.1**	**(1,576.7)**	**(188.5)**	**344.2**	**(0.6)**	(1,421.5)	**1.0**	(1,420.5)

*Comprises 50,001 (2018: 50,001) authorised, issued and fully paid ordinary shares of £1 each.

[1] Figures as at 1 July 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Consolidated cash flow statement

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Net cash inflow from operating activities	27	**487.0**	**572.1**
Investing activities			
Interest received		1.9	1.5
Purchase of tangible assets	5	(120.3)	(161.4)
Purchase of intangible assets	5	(2.5)	(3.7)
Sale of tangible assets		7.5	0.3
Proceeds on disposal of investments		-	5.2
Loans to joint ventures		-	0.6
Net cash outflow from investing activities		**(113.4)**	**(157.5)**
Financing activities			
Repayment of external borrowings	23	(137.2)	(124.3)
Repayment to parent undertakings		(20.0)	(57.0)
Repayment of finance lease capital	23	(0.7)	(0.4)
Movement in borrowings		(157.9)	(181.7)
Interest paid		(169.0)	(170.1)
Interest element of finance lease rentals		(0.9)	(1.0)
Cash settlement of principal accretion on inflation-linked swaps	25	(44.3)	(58.6)
Cash inflow on redemption of swaps	25	1.6	-
Net cash outflow from financing activities		**(370.5)**	**(411.4)**
Increase in cash and cash equivalents		**3.1**	**3.2**
Cash and cash equivalents at the beginning of the financial year		10.3	7.1
Cash and cash equivalents at end of year	21	**13.4**	**10.3**

Notes to the Group financial statements

1 General information, authorisation of financial statements and Statement of Compliance

Arqiva Group Parent Limited ('AGPL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 08085794. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2019 comprise the Company and its subsidiaries (together the "Group").

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 8 to 39.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted for use in the European Union ("EU") and the Companies Act 2006.

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 131 to 138.

2 Adoption of new and revised Standards

New and revised Standards

The group applied IFRS 15 and IFRS 9 for the first time in the current year. The nature and effect of the changes as a result of adoption of these new accounting standards are described in note 33.

The following additional new and revised Standards and Interpretations have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IAS 40	Transfer of Investment Property
Annual improvements 2014-2016 cycle	Includes amendments to IFRS 12

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not applicable for these financial statements:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
IFRS 16	Leases	1 January 2019	30 June 2020
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020
Amendments to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019	30 June 2020
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019	30 June 2020
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	Various standards	1 January 2019	30 June 2020
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019	30 June 2020

Impact Assessment of new Standards

With the exception of IFRS16, the new standards are not expected to have a significant impact on the amounts reported in these financial statements.

IFRS 16 Leases
IFRS 16 "*Leases*" was issued in January 2016 to replace IAS 17 "*Leases*" and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Group on 1 July 2019.

IFRS 16 changes lease accounting for lessees and will have a material impact on the Group's financial statements, in particular:

- Lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payments. The liability recorded for future lease payments will be for amounts payable for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has extension options or similar rights. Under IAS 17, liabilities are generally not recorded for future operating lease payments, which have been disclosed as commitments, see note 28 "Financial commitments and contingent liabilities".
- Lease costs will be recognised in the form of depreciation of the right of use asset and interest on the lease liability. This will result in a material increase to reported EBITDA.
- Lease liabilities will generally be discounted at the incremental borrowing rate of the relevant Group entity although the interest rate implicit in the lease will be used when it is readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term. Under IAS 17, operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses (see note 6 "Operating profit").
- Net cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as payments made at both lease inception and subsequently will be characterised as repayments of lease liabilities and interest. Net cash flows will not be impacted by IFRS 16.

Lessee accounting for finance leases will be similar under IFRS 16 to existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is expected to be materially the same for the Group.

The Group will adopt IFRS 16 on a modified retrospective basis with no restatement of prior period results. On transition, remaining payments payable under lease arrangements will be discounted using an appropriate rate and recognised as lease liabilities. Right-of-use assets will be recognised equivalent to the lease liability, adjusted for any pre-existing prepaid lease payments and accrued lease expenses.

A high volume of transactions will be impacted by IFRS 16 and material judgements will be required in identifying and accounting for leases. The group is well progressed in implementing the new standard.

The most significant judgements in applying IFRS 16 relate to lease identification, fixed and variable payments and the determination of the lease term:

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

  Where the Group has contracts for the use of fibre and other fixed telecommunication lines, judgement is required to determine whether the Group controls the line and has a lease.
- Some lease contracts include elements of consideration which are fixed and variable. For these contracts judgement is required to determine to what extent any of the variable consideration is in substance fixed consideration according to IFRS 16. Where variable consideration is in substance fixed consideration it is included in the valuation of the lease liability and right of use asset.
- Lease terms under IFRS 16 may exceed the minimum lease period and include optional lease periods where it is reasonably certain that an extension option or similar right will be exercised or that a termination option will not be exercised by the Group. Significant judgement is required in determining whether optional periods should be included in the lease term taking into account the leased asset's nature and purpose and potential for replacement and any plans that the Group has in place for future use of the asset.

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

The Group will apply the following practical expedients allowed under IFRS 16:

- Initial direct costs of lease arrangements will be excluded from the initial right-of-use asset;
- The Group will rely on its onerous lease assessments under IAS 37 to impair right-of-use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption; and
- The Group will be taking the short term or low value expedients in IFRS 16 for office equipment excluding IT equipment.

The Group's current estimate of the primary pre-tax financial impact of these changes on the consolidated statement of financial position on adoption is the recognition of an additional lease liability at 1 July 2019 of between £295 million and £315 million. The additional lease liability does not equal the operating lease commitment disclosed in note 28 primarily because lease terms determined under IFRS 16 include the impact of discounting and the probability of renewal.

The right of use asset recognised at 1 July 2019 is expected to be slightly higher than the lease liability, as the value of existing lease prepayments added to the balance is expected to exceed the value of accruals and provisions for onerous leases that are deducted. Overall, these transactions are expected to have no material impact on Group retained earnings.

The impact on the consolidated income statement for the year to 30 June 2020 will depend on factors that may occur during the year including new leases entered into, changes or reassessments of the Group's existing lease portfolio and changes to exchange rates or discount rates. However, the operating lease charges incurred in the year to 30 June 2019 were £67.7 million (see note 6 "Operating profit").

These impacts are based on the assessments undertaken to date. The exact financial impacts of the accounting changes of adopting IFRS 16 at 1 July 2019 may be revised.

3 Significant accounting policies

Basis of preparation
The financial framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100, Application of Financial Reporting Requirements, which was issued in November 2012.

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies applying International Financial Reporting Standards (IFRS) and in accordance with interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the valuation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below. These policies have been applied consistently across the comparative financial periods included within these financial statements.

The Company's financial statements have been prepared under FRS 101 and are included in this report – see page 131.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2019.

Control is achieved when the Company:
- has demonstrable power over the relevant activities of the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Going concern
Historically the Group has reported losses and has a significant net liability position on the Statement of Financial Position, caused primarily by debt and the related financing costs. However, the Group has continued to generate strong operating cashflows.

The Group meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Group has access to sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual and commercial commitments as set out in note 28. In addition, forecast covenant compliance remains strong. For this reason the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for the allocation of resources and assessment of performance of the operating segments, has been

identified as collectively the Board of Directors, which includes the Chief Executive Officer and the Chief Financial Officer.

Revenue recognition

Revenue represents the gross inflow of economic benefit for services provided utilising Arqiva's communications infrastructure, completion of significant engineering projects and the sale of communications equipment. Revenue is stated net of value added tax. Revenue is measured at the fair value of the consideration received or receivable.

On inception of a contract, performance obligations are identified for each of the distinct goods or services that have promised to be provided to the customer. The consideration specified in the contract is allocated to each performance obligation identified based on their relative standalone selling prices and is recognised as revenue as they are satisfied. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a standalone basis by Arqiva or a competitor. In some cases it may be appropriate to use the contract price when this represents a bespoke price that would be the same for a similar customer in a similar circumstance.

Cash received or invoices raised in advance are taken to deferred income and recognised as contract liabilities, and subsequently recognised as revenue when the services are provided. Where consideration received in advance is discounted, reflecting a significant financing component, it is reflected within revenue and interest payable and similar charges on a gross basis. Revenue recognised in advance of cash being received or an invoice being raised is recognised as accrued income within contract assets and subsequently reclassified to receivables once an invoice is raised. Invoices are issued in line with contract terms.

The group does not have any material obligations in respect of returns, refunds or warranties.

The following summarises the performance obligations we have identified and provides information on the timing of when they are satisfied and the related revenue recognition policy. The revenue expected to be recognised in future periods for contracts in place at 30 June 2019 that contain unsatisfied performance obligations is included in note 5.

Rendering of services

Performance obligations under contracts for the rendering of services are identified for each distinct service or deliverable for which the customer has contracted and are considered to be satisfied over the time period that the services or deliverables are delivered. Revenue is recognised over time in line with the service provision over the contractual period and appropriately reflects the pattern by which the performance obligation is satisfied. Such revenues include television and radio transmission services, tower site share charges to mobile network operators, small cells, network provision, media services, and machine-to-machine connectivity.

For long-term services contracts revenue is recognised on a straight-line basis over the term of the contract. However, if the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or network coverage basis. Such revenues include Smart metering network build and service operation.

Pre-contract costs incurred in the initial set up phase of a contract are deferred. These costs are then recognised in the income statement on a straight-line basis over the remaining contractual term, unless the pattern of service delivery indicates a different profile is appropriate. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are assessed for recoverability on a regular basis. Costs related to delivering services under long-term contractual arrangements are expensed as incurred.

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects. Contracts for the delivery of engineering projects are split into specific performance obligations. Performance obligations relating to services are satisfied over the time period that services are delivered, performance obligations relating to the provision of assets are satisfied at the point in time that control passes to the customer. Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, is recognised based on satisfaction of the identified performance obligations using the percentage of completion method. The stage of completion is based on portion of costs incurred as a percentage of total costs. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

A loss on a fixed price contract is recognised immediately when it becomes probable that the contract cost will exceed the total contract revenue.

Sale of communications equipment

Performance obligations from the sale of communications equipment provided as part of customer contracts are satisfied and revenue is recognised at the point in time that control passes to the customer, which is typically upon delivery and acceptance by the customer. In some cases payment is not received in full at the time of the sale, and a contract asset is recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment.

Business combinations, including goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually or where there is indication of impairment.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the asset, on the following bases:

Asset Description	Estimated Useful Life
Licences	Length of the licence period (no more than 20 years)
Development costs	10 years
Access rights	Length of the agreement (no more than 20 years)
Software	5-10 years

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at historical purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for tangible assets acquired on acquisition, less accumulated depreciation and any provision for impairment.

Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour. Labour costs are capitalised within the cost of an asset to the extent that they are directly attributable to the construction of the asset. The value capitalised captures all elements of employee benefits as defined by IAS 19.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Asset Description	Estimated Useful Life
Freehold buildings	20 – 80 years
Leasehold buildings	Length of lease (typically between 20-80 years)
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over the shorter of their lease term and their expected useful lives (on the same basis as owned assets).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in the income statement.

Impairment of non-financial assets
At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life, such as goodwill, is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the impairment relates to goodwill, in which case it cannot be reversed.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss, presented as an 'other gain or loss'.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The Group's ***financial assets*** are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents:

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Impairment of irrecoverable amounts is based on an expected credit loss model.

Contract assets

Contract assets are amounts owed for future services from signed contracts. Revenue is measured at the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

The Group's ***financial liabilities*** are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities' according to the substance of the contractual arrangements entered into.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are accounted for on an accruals basis to the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade other payables

Trade and other payables are not interest bearing and are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. They are included in current liabilities, except for maturities greater than 12 months after the reporting date, which are classified as non-current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning provisions are recognised within provisions for liabilities and charges and included within property, plant and equipment, where the costs of dismantling assets are considered material. The amounts recognised within property, plant and equipment are depreciated over the useful economic life of the asset. The provisions are discounted to reflect the time value of money where material. When the probability that the Group will be required to settle an obligation or a reliable estimate cannot be made of the amount of the obligation the Group discloses a contingent liability in the notes to the financial information.

The Group enters into a variety of ***derivative financial instruments*** to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivative financial instruments are recognised at fair value at the date the derivative contract is entered into and are revalued at fair value at each balance sheet date. The fair value of these instruments is determined from the expected future cash flows discounted at a risk-adjusted rate. The future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates. The difference between the fair value at the risk-adjusted rate and the fair value at the risk-free rate is used to determine the debit valuation adjustment and/or credit valuation adjustment to these instruments. The Group does not apply hedge accounting principles.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Otherwise derivatives are presented as current assets or current liabilities. Where derivatives have an amortising profile, the fair value of the element (i.e. the notional principal) that matures within 12 months is presented as a current asset or current liability.

Fair value measurement
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis. Exceptions to this principle have been made for leasing transactions that are within the scope of IAS 17, and measurements that are approximations to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Retirement benefits

Defined contribution schemes

For defined contribution schemes, the amount charged to the income statement 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 statement of financial position.

Defined benefit schemes

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

The Plan closed to future accrual of benefits on 31 January 2016.

Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note 30) in its consolidated income statement. Curtailments gains and losses are accounted for as a past-service cost.

Net-interest expense or income is recognised within finance income (see note 9).

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Equipment leased to customers under finance leases is deemed to be sold at normal selling price and this value is recognised as revenue at the inception of the lease. The associated asset is recognised within cost of sales at the inception of the lease. Receivables 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Operating profit and exceptional items
Operating profit is stated after exceptional items, including restructuring costs, impairment, and after the share of results of associates but before finance income and finance costs.

Exceptional items are those that are considered to be one-off, non-recurring in nature or material, either by magnitude or nature, that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance, for example one-off impairments, redundancy programmes, restructuring and costs related to significant corporate finance activities. The Directors believe the resulting EBITDA represents underlying performance, excluding significant one-off and non-recurring events, that more fairly represents the on-going trading performance of the business. These items are therefore presented separately on the face of the income statement.

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction, except in the case of certain financing transactions where hedging arrangements are in place and transactions are recorded at the contracted rate.

Monetary assets and liabilities denoted in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or the contracted rate if applicable. Any exchange differences arising are taken to the income statement. Transactions in the income statement of overseas operations are translated using an average exchange rate.

Exchange differences on translation of overseas subsidiaries are recognised through the statement of comprehensive income in the Group's translation reserve.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these judgements, estimates and assumptions.

The judgements, estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised.

Critical judgements and key sources of estimation uncertainty in applying the Group's accounting policies

The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

Critical accounting judgements:

In applying the Group's revenue recognition policy, as set out in note 3, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- the recognition of a significant financing component.

The aforementioned judgements are consistently applied across similar contracts.

Key estimations:

In applying the Group's revenue recognition policy, as set out in note 3, estimations are made in respect of certain areas including:

- measurement of variable consideration;
- in the application of the percentage of completion approach to long-term contractual arrangements which relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion.

Key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase.

Deferred tax

Critical accounting judgements:

The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward.

Useful lives for property, plant and equipment and intangibles

Critical accounting estimates:

Depreciation or amortisation is charged to the income statement based upon the useful lives selected. This assessment requires estimation of the period over which the Group will derive benefit from these assets.

Management monitor and assess the appropriateness of useful economic lives, such lives may also be impacted by external market changes. In the event that such a change were to result in a revision of useful economic lives this could result in a change to the annual depreciation charge going forwards. In the theoretical scenario whereby medium and long term useful economic lives of property, plant and equipment were to be reduced by one year the estimated impact on the depreciation charge for the year is approximately £24m, with a reduction in depreciation in later years.

The Group manages its property, plant and equipment on a portfolio basis through a central estates team. This team contains qualified surveyors who have a wealth of experience working for the Group and within the industry as a whole.

The carrying values of intangibles are disclosed in note 15, and those for property, plant and equipment are disclosed in note 16.

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

The identification of such obligations in the context of daily operations which require provisions to be made requires judgement.

Judgement is also required to distinguish between provisions and contingent liabilities.

Key estimations:

Estimates have been made in respect of the probable future obligations of the Group. These estimates are reviewed annually to reflect current economic conditions and strategic plans.

The decommissioning provisions are reviewed annually and are calculated based upon expected costs and past costs incurred on similar sites as determined by site and project management, as well as assessments made by internal experts (see note 26).

Management have estimated the impact of reducing the decommissioning timetable by one year to be £0.2m in relation to the unwinding of provision discounting or, if all site decommissioning was recognised in line with potential earlier expiration dates, a sensitivity of up to £15-20m.

Management also exercises judgement in measuring the exposures to contingent liabilities (see note 28) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

Impairment of goodwill

Critical accounting judgements:

The carrying amount of the Group's goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, in compliance with the Group's accounting policies.

Judgement is used to identify indicators of impairment and their impact upon the goodwill balances.

Key estimations:

Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.

The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 14.

Fair value measurements and valuation processes

Key estimations

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes, including pension assets and liabilities (see note 30), derivatives (see note 25). A proportion of the Telecoms fixed asset additions are recognised at fair value and are subsequently depreciated over their useful life (see note 16).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debt/credit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 14 and 25.

5 Revenue and segmental information

The Group derives its revenue from the rendering of services, engineering projects, and the sale of communications equipment. See note 3 for the accounting policies adopted.

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

Year ended 30 June 2019	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Total £m
Rendering of services	448.3	339.4	123.2	910.9
Engineering projects	43.0	27.9	-	70.9
Sale of goods	-	8.6	-	8.6
Revenue	**491.3**	**375.9**	**123.2**	**990.4**

Year ended 30 June 2018[1]	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Total £m
Rendering of services	445.9	280.5	133.5	859.9
Engineering projects	43.5	51.6	-	95.1
Sale of goods	-	9.2	-	9.2
Revenue	**489.4**	**341.3**	**133.5**	**964.2**

Revenue expected to be recognised in future periods, included in our order book, for performance obligations that are not complete (or are partially complete) as at 30 June 2019 is £4,478.1m (2018: £5,070.4m). The anticipated timing of recognition of this revenue is as follows:

Year ended 30 June 2019	< 1 year £m	1-2 years £m	2 – 5 years £m	5-10 years £m	> 10 years £m	Total £m
Rendering of services	662.0	505.3	1,241.9	1,361.7	636.5	4,407.4
Engineering projects	40.3	6.7	1.1	-	-	48.1
Sale of goods	10.0	2.3	4.4	5.2	0.7	22.6
Revenue	**712.3**	**514.3**	**1,247.4**	**1,366.9**	**637.2**	**4,478.1**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Year ended 30 June 2018	< 1 year £m	1-2 years £m	2 – 5 years £m	5-10 years £m	> 10 years £m	Total £m
Rendering of services	768.8	622.9	1,274.8	1,440.1	858.0	4,964.6
Engineering projects	39.4	36.6	5.9	-	-	81.9
Sale of goods	8.2	3.6	3.7	6.2	2.2	23.9
Revenue	**816.4**	**663.1**	**1,284.4**	**1,446.3**	**860.2**	**5,070.4**

Contract assets and liabilities

The Group has recognised the following assets and liabilities in relation to contracts with customers:

	30 June 2019 £m	30 June 2018[1] £m
Contract assets		
Current	33.5	40.4
Contract liabilities		
Current	176.6	173.4
Non-current	248.6	283.1
	425.2	**456.5**

£236.5m of the contract liability recognised at 30 June 2018 was recognised as revenue during the year. Impairment losses of £0.1m were recognised on contract assets during the year. Other than business-as-usual movements there were no significant changes in contract asset and liability balances during the year.

In addition to the contract balances disclosed above, the group has also recognised an asset in relation to costs to fulfil a contract. This is presented within other receivables in the balance sheet and totalled £2.3m (2018: £2.5m). Amortisation recognised as a cost of providing services during the year were £0.2m (2018: £0.2m).

Segmental reporting

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

- Terrestrial Broadcast;
- Telecoms & M2M; and
- Satellite and Media.

'Other' segment refers to our corporate business unit, which is non-revenue generating.

Information regarding the nature of these business units is contained on pages 13 to 14 within the Strategic report.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Year ended 30 June 2019	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**491.3**	**375.9**	**123.2**	**-**	**990.4**
Segment result* (EBITDA)	**363.4**	**189.0**	**30.1**	**(55.0)**	**527.5**
Depreciation and amortisation					(199.9)
Other operating expenditure excluded from measuring EBITDA					(0.1)
Exceptional items					(12.5)
Other income					7.5
Operating profit					**322.5**
Finance income					2.5
Finance costs					(348.8)
Other gains and losses					(22.8)
Loss before tax					**(46.6)**

Year ended 30 June 2018[1]	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**489.4**	**341.3**	**133.5**	**-**	**964.2**
Segment result* (EBITDA)	**362.6**	**178.1**	**33.8**	**(55.2)**	**519.3**
Depreciation and amortisation					(183.0)
Other operating expenditure excluded from measuring EBITDA					0.1
Impairment					(4.4)
Exceptional items					(9.5)
Share of results of joint ventures and associates					0.2
Other income					4.6
Operating profit					**327.3**
Finance income					1.7
Finance costs					(347.9)
Other gains and losses					92.4
Profit before tax					**73.5**

*Segment result is defined as total operating profit before the items set out below.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

EBITDA[1] is a key measure of the Group's financial performance. A reconciliation of the reported EBITDA to operating profit is provided below:

		Year ended 30 June 2019 £m	Year ended 30 June 2018[2] £m
Operating profit		322.5	327.3
Depreciation	16	184.1	166.3
Amortisation	15	15.8	16.7
Impairment	15, 16	-	4.4
Exceptional items charged to operating profit	7	12.5	9.5
Other income		(7.5)	(4.6)
Share of results of joint ventures and associates	17	-	(0.2)
Other[3]		0.1	(0.1)
EBITDA		**527.5**	**519.3**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segmental result represents the EBITDA earned by each segment without allocation of the central administration costs. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

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

	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other* £m	Consolidated £m
Capital expenditure:					
For the year ended 30 June 2019	55.2	26.1	5.9	35.6	**122.8**
For the year ended 30 June 2018	73.2	48.9	10.2	32.8	**165.1**

*Includes maintenance capex which is managed centrally and not allocated to individual business segments.

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £120.3m (2018: £161.4m) and intangible assets of £2.5m (2018: £3.7m) as referred to in the cash flow statement.

[1] EBITDA is a non-GAAP measure and refers to 'earnings before interest, tax, depreciation and amortisation' and includes add-backs for certain items charged to operating profit that do not reflect the underlying business performance. The table above reconciles this adjusted profit measure back to operating profit as presented in the income statement.

[2] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

[3] Includes add-backs for certain profit or loss on disposal of other intangibles and property, plant and equipment and includes deductions for non-interest related finance costs, principally bank charges that are not considered relevant in understanding the underlying performance of the business.

As disclosed in the Business model and business units section of the annual report on page 15, from 1 July 2019 onwards the group will change the reportable operating segments. The following table shows how results reported this year would be split under the new reporting segments:

Year ended 30 June 2019	Media Networks £m	Telecoms & M2M £m	Other £m	Total £m
Rendering of services	571.5	339.4	-	910.9
Engineering projects	43.0	27.9	-	70.9
Sale of goods	-	8.6	-	8.6
Revenue	**614.5**	**375.9**	**-**	**990.4**
EBITDA	**390.0**	**189.0**	**(51.5)**	**527.5**
Capital expenditure	**61.1**	**26.1**	**35.6**	**122.8**

Geographical information

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers:

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
UK	978.8	952.9
Rest of European Economic Area (EEA)	8.1	8.6
Rest of World	3.5	2.7
Revenue	**990.4**	**964.2**

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

	30 June 2019 £m	30 June 2018[1] £m
UK	3,735.2	3,806.7
Rest of European Economic Area (EEA)	2.3	2.6
Rest of World	-	0.8
	3,737.5	**3,810.1**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Information about major customers

Included in the revenues arising from Terrestrial Broadcast are revenues of £141.7m (2018: £139.2m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £156.1m (2018: £163.0m) from a major customer.

No other single customers contributed 10% or more to the Group's revenue in the aforementioned financial years.

6 Operating profit

Operating profit for the year has been arrived at after (crediting) / charging:

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
Net foreign exchange gains	(0.4)	(0.4)
Research and development costs	6.1	4.3
Depreciation of property, plant and equipment:		
Owned assets	183.4	165.8
Assets held under finance lease	0.7	0.5
Profit on disposal of property, plant and equipment	(0.1)	(0.1)
Amortisation of intangible assets	15.8	16.7
Grant income	(16.3)	(13.6)
Operating lease rentals	67.7	61.2
Employee costs (see note 8)	104.0	100.5

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2019 £m	Group Year ended 30 June 2018 £m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.4	0.3
Other audit fees	0.1	0.1
Non-audit services		
Other assurance services	0.3	1.0
Other services	0.1	-
Total cost of services provided by the Group's Auditors	**1.0**	**1.5**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

7 Exceptional items

The Group recognises exceptional items which are considered to be one-off and non-recurring in nature or material items which require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

(Loss) / profit before tax is stated after (charging) / crediting:

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Operating expenses:			
Reorganisation and severance		(13.5)	(1.8)
Corporate finance activities		(1.0)	(7.7)
Profit on disposal of assets		2.0	-
		(12.5)	(9.5)
Other gains and losses:			
Profit on disposal of investments	11	-	0.1
Total exceptional items		**(12.5)**	**(9.4)**

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

Corporate finance activity costs relate to costs associated with one off projects.

Profit on disposal of assets relates to the disposal of the trade and associated assets of a non-core business stream within the Telecoms and M2M business unit.

Profit on disposal of investments in the prior year related to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture.

The amounts included within exceptional items above are deductible for the purpose of taxation.

8 Employees

The average monthly number of persons (representing 'full-time equivalents') employed by the Group during the year was as follows:

	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
UK	1,979	2,049
Non-UK	33	39
Total employees	**2,012**	**2,088**

	Year ended 30 June 2019 Number	Year ended 30 June 2018 Number
Terrestrial Broadcast	734	727
Telecoms & M2M	428	480
Satellite and Media	350	376
Corporate functions	500	505
Total employees	**2,012**	**2,088**

Their aggregate remuneration comprised:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Wages and salaries	123.2	128.1
Social security costs	12.9	13.1
Other pension costs	10.0	10.8
Total staff costs	146.1	152.0
Own work capitalised	(42.1)	(51.5)
Income statement expense	**104.0**	**100.5**

9 Finance income

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Bank deposits	0.3	0.3
Finance lease interest receivable	0.3	0.2
Other loans and receivables	1.9	1.2
Total finance income	**2.5**	**1.7**

Other loans and receivables includes £0.6m (2018: £0.2m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Interest on bank overdrafts and loans	89.8	97.1
Other loan interest	75.5	74.7
Bank and other loan interest	165.3	171.8
Amortisation of debt issue costs	4.9	5.8
Interest on obligations under finance leases	0.9	1.0
Interest payable to other group entities	155.9	145.0
Other interest	17.7	23.5
Total interest payable	**344.7**	**347.1**
Less amounts included in the cost of qualifying assets	-	(3.5)
Unwinding of discount on provisions (see note 26)	4.1	4.3
Total finance costs	**348.8**	**347.9**

Borrowing costs included in the cost of qualifying assets during the prior year arose on the general borrowing pool and were calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure.

11 Other gains and losses

	Notes	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Foreign exchange (loss) / gain on financing		(9.1)	2.0
Fair value (loss) / gain on derivative financial instruments	25	(13.7)	90.3
Other (losses) / gains		**(22.8)**	**92.3**
Exceptional profit on disposal of investments	7, 29	-	0.1
Exceptional other gain		**-**	**0.1**
Total other (losses) / gains		**(22.8)**	**92.4**

Foreign exchange on financing arises on the revaluation of the Group's US dollar denominated debt (see note 23).

Fair value gains and losses on derivative financial instruments reflect the re-measurement of the Group's derivative financial instruments (see note 25).

12 Tax

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
UK Corporation tax:		
- Current year	1.1	(16.5)
- Representation of prior year amount (a)	16.4	-
- Prior year adjustment	1.8	-
Total current tax	19.3	(16.5)
Deferred tax (see note 20)		
- Origination and reversal of temporary differences	(9.0)	29.2
- Change in unrecognised deferred tax assets	21.8	(12.0)
- Recognition of deferred tax asset	-	(226.9)
- Prior period adjustment	(0.6)	-
- Impact of rate change	(1.0)	-
Total deferred tax	11.2	(209.7)
Total tax charge / (credit) for the year	**30.5**	**(226.2)**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

UK Corporation tax is calculated at a rate of 19.0% (2018: 19.0%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge / (credit) for the year can be reconciled to the (loss) / profit in the income statement as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018[1] £m
(Loss) / profit before tax on continuing operations	(46.6)	73.5
Tax at the UK Corporation tax rate of 19.0% (2018: 19.0%)	(8.9)	14.0
Tax effect of expenses that are not deductible in determining taxable profit	1.0	2.0
Representation of prior year amount (a)	16.4	-
Change in unrecognised deferred tax assets (b)	21.8	(12.0)
Recognition of previously unrecognised deferred tax asset (c)	-	(226.9)
Prior period adjustment	1.2	-
Impact of change in tax rate	(1.0)	(3.3)
Total tax charge / (credit) for the year	**30.5**	**(226.2)**

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

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

(b) Change in unrecognised deferred tax assets includes the changes in the tax losses in the year and deferred tax deductions on interest expenses which have not been recognised as a deferred tax asset.

(c) Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017. The overall effect of these changes, was that certain previously unrecognised deferred tax assets were recognised at 30 June 2018, as a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable.

These relate primarily to financial instruments, fixed asset temporary differences and tax losses.

Tax in Consolidated Statement of Comprehensive Income

There is a tax credit of £0.9m (2018: charge of £1.8m) in respect of the actuarial movement of £(5.1m) (2018: £10.8m) in the Consolidated Statement of Comprehensive Income.

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

13 Dividends

	Year ended 30 June 2019		Year ended 30 June 2018	
	£ per share	£m	£ per share	£m
Now Digital (East Midlands) Limited	75.0	0.2	30.0	0.1
Total dividends payable to minority interests		**0.2**		**0.1**

The above amounts represent dividends declared and paid to non-controlling interest shareholders by Group companies. No dividends were paid to AGPL shareholders.

14 Goodwill

	£m
Cost:	
At 1 July 2017 and 1 July 2018	1,981.0
Disposals	(1.6)
At 30 June 2019	**1,979.4**
Accumulated impairment losses:	
At 1 July 2017 and 1 July 2018	0.4
Disposals	-
At 30 June 2019	**0.4**
Carrying amount:	
30 June 2019	**1,979.0**
30 June 2018	1,980.6

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The CGUs that have associated goodwill are Telecoms & M2M and Media Networks. These are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets, and to which goodwill is allocated.

On 23 October 2018, the Group disposed of £1.6m of goodwill in relation to the disposal of non-core assets (and associated contracts) within the Telecoms & M2M CGU.

The carrying value of goodwill as at the balance sheet date by the principal CGUs is shown as follows:

	30 June 2019 £m	30 June 2018 £m
Media Networks	1,340.2	1,340.2
Telecoms & M2M	638.8	640.4
Total	**1,979.0**	**1,980.6**

The above table has been presented under the new reportable operating segments as of 1 July 2019 as this is the basis under which the business forecasts, operating plans and annual impairment model has been prepared.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations ('VIU'). The key assumptions for the VIU calculations are those regarding the discount rates, growth rates and expected changes to cash flows during the year for which management has detailed plans. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on internal and external growth forecasts. Changes to cash flows are based on past practices and expectations of future changes in the market.

Projected cash flows and the 'recoverable amount'

The value in use of each CGU is determined from the cash flow forecasts derived from the most recent financial forecasts approved by the Board for the next five years. They reflect management's expectations of revenue, EBITDA growth, capital expenditure and working capital based on past experience and future expectations of performance.

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.0% (2018: 8.0%).

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the markets in which the CGU operates (2019: 1.5%; 2018: 1.4%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

There is headroom in all CGUs. No reasonably possible change in the key assumptions would cause the carrying amount of the goodwill by CGU to exceed the recoverable amount based upon the VIU.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017	15.1	13.6	15.4	77.6	121.7
Additions	0.4	3.1	-	0.2	3.7
Transfers from AUC (note 16)	-	2.5	-	21.4	23.9
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	15.5	18.7	15.4	98.3	147.9
Additions	-	2.5	-	-	2.5
Transfers from AUC (note 16)	-	(0.4)	-	2.0	1.6
Disposals	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2019	**15.5**	**20.7**	**15.4**	**100.2**	**151.8**
Accumulated amortisation					
At 1 July 2017	4.5	3.5	15.4	49.4	72.8
Amortisation	1.3	2.6	-	12.8	16.7
Impairment	-	0.2	-	0.6	0.8
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	5.8	5.8	15.4	61.9	88.9
Amortisation	1.3	3.5	-	11.0	15.8
Disposals	-	(0.1)	-	(0.1)	(0.2)
At 30 June 2019	**7.1**	**9.2**	**15.4**	**72.8**	**104.5**
Carrying amount					
At 30 June 2019	**8.4**	**11.5**	**-**	**27.4**	**47.3**
At 30 June 2018	9.7	12.9	-	36.4	59.0

Development costs in respect of products and services that are being developed by the Group are being capitalised in accordance with IAS 38. These are amortised over their expected useful life once the product or service has been commercially launched.

Other intangible assets are recognised at cost and are amortised over their estimated useful lives.

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017[1]	337.4	153.5	2,046.1	89.4	2,626.4
Additions	-	-	20.9	150.8	171.7
Completion of AUC	1.4	0.9	104.9	(107.2)	-
Reclassifications	(0.2)	-	-	0.2	-
Transfers to other intangibles (note 15)	-	-	-	(23.9)	(23.9)
Disposals	(0.7)	(1.8)	(49.1)	-	(51.6)
At 30 June 2018[1]	337.9	152.6	2,122.8	109.3	2,722.6
Additions	0.1	-	18.9	112.8	131.8
Completion of AUC	4.2	1.2	119.1	(124.5)	-
Transfers to other intangibles (note 15)	-	-	-	(1.6)	(1.6)
Disposals	-	-	(32.1)	-	(32.1)
At 30 June 2019	342.2	153.8	2,228.7	96.0	2,820.7
Accumulated depreciation					
At 1 July 2017[1]	36.2	56.6	740.6	-	833.4
Depreciation	6.5	4.8	155.0	-	166.3
Impairment	-	-	3.6	-	3.6
Disposals	(0.3)	(1.8)	(49.0)	-	(51.1)
At 30 June 2018[1]	42.4	59.6	850.2	-	952.2
Depreciation	6.4	4.7	173.0	-	184.1
Disposals	-	-	(26.7)	-	(26.7)
At 30 June 2019	48.8	64.3	996.5	-	1,109.6
Carrying amount					
At 30 June 2019	**293.4**	**89.5**	**1,232.2**	**96.0**	**1,711.1**
At 30 June 2018[1]	295.5	93.0	1,272.6	109.3	1,770.4

Freehold land included above but not depreciated amounts to £179.4m (2018: £179.4m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.2m (2018: £5.9m) included within leasehold buildings.

During the year, £nil (2018: £3.5m) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £16.0m (2018: £17.0m).

At 30 June 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £26.4m (2018: £47.8m) – see note 28 for further details.

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £61.4m (2018: £48.6m) and accumulated depreciation of £15.4m (2018: £10.0m). Fair value was determined using observable inputs (fair value hierarchy level 2).

[1] Figures as at 1 July 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See notes 33 for further information.

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 136) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

Share of results of associates and joint ventures was £nil (2018: £0.2m) for the year with the interest in associates and joint ventures being £0.1m (2018: £0.1m).

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited. Consideration received was £5.2m resulting in a £0.1m profit on disposal recognised in other gains and losses as an exceptional item.

There are no other associates or joint ventures that are considered material, either individually or in aggregate, to the Group's position or performance.

The Directors consider the carrying value of the Group's investments on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

Transactions with associates and joint ventures in the year are disclosed in note 31.

18 Trade and other receivables

	30 June 2019 £m	30 June 2018[1] £m
Trade and other receivables		
Trade receivables	85.7	100.4
Amounts receivable from other group entities	88.9	59.1
Other receivables	4.5	7.7
Prepayments	51.6	69.5
Amounts receivable from finance lease arrangements (see note 19)	1.7	2.0
	232.4	**238.7**
Contract assets – accrued income[2]	**33.5**	**40.4**

The ageing of the Group's net trade receivables which are past due but not impaired is as follows:

	30 June 2019 £m	30 June 2018 £m
Up to 30 days overdue	5.0	14.7
Up to 90 days overdue	3.1	4.9
Between 91 and 150 days overdue	0.6	0.5
More than 150 days overdue	-	0.1
	8.7	**20.2**

Trade receivables and contract assets are stated after deducting allowances for doubtful debts, as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Allowance at 1 July	7.4	10.8
Amounts utilised	(0.7)	(4.0)
Provided during the year	0.2	0.6
Allowance at 30 June	**6.9**	**7.4**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

[2] Contract assets relate to accrued income balances. These balances have been reclassified as contract assets on the adoption of IFRS 15.

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets.
To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the five year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors effecting the Group's customers.

The groups' expected loss rate for receivables is between 0.4% and 1.3%. At 30 June 2019 the lifetime expected loss provision for trade receivables and contract assets is as follows:

	Current £m	Up to 30 days overdue £m	Up to 90 days overdue £m	Between 91 and 150 days overdue £m	More than 150 days overdue £m	Total £m
Gross carrying amount						
- Trade receivables	77.3	5.4	3.5	2.1	4.2	92.5
- Contract assets	33.6	-	-	-	-	33.6
Loss provision - Expected	0.5	-	-	-	0.1	0.6
Loss provision - Specific	-	0.4	0.3	1.5	4.1	6.3
	0.5	0.4	0.3	1.5	4.2	6.9

£0.1m of the £6.9m lifetime expected loss provision relates to the contract assets.

In addition to the expected credit loss model, the Group's policy is to also consider a specific provision for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality. For further information on how the Group manages credit risk see note 25.

19 Finance lease receivables

	30 June 2019 £m	30 June 2018 £m
Gross amounts receivable under finance leases:		
Within one year	0.5	0.5
In the second to fifth years inclusive	1.5	1.7
After five years	0.2	0.5
	2.2	2.7
Less: unearned finance income	(0.5)	(0.7)
Present value of minimum lease payments receivable	**1.7**	**2.0**
Net amounts receivable under finance leases:		
Within one year	0.3	0.3
In the second to fifth years inclusive	1.2	1.3
After five years	0.2	0.4
Present value of minimum lease payments receivable	**1.7**	**2.0**
Analysed as:		
Non-current finance lease receivables	1.4	1.7
Current finance lease receivables	0.3	0.3
Total finance leases	**1.7**	**2.0**

The Group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 4.8 years at 30 June 2019 (2018: 5.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2019 is £197.7m (2018: £208.0m). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax losses £m	Accelerated tax depreciation £m	Derivative financial instruments £m	Other temporary differences £m	Total £m
At 1 July 2017	-	-	-	-	-
Credited to the income statement[1]	15.8	34.3	152.5	8.9	211.5
At 30 June 2018[1]	15.8	34.3	152.5	8.9	211.5
Credited / (charged) to the income statement	(0.8)	(9.4)	1.5	(1.4)	(10.1)
At 30 June 2019	**15.0**	**24.9**	**154.0**	**7.5**	**201.4**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

Deferred tax liabilities	Retirement benefits £m	Total £m
At 1 July 2017	-	-
Charged to the income statement	1.7	1.7
Charged to the statement of comprehensive income	1.8	1.8
At 30 June 2018	3.5	3.5
Charged to the income statement	1.1	1.1
Credited to the statement of comprehensive income	(0.9)	(0.9)
At 30 June 2019	**3.7**	**3.7**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. The Group has an unrecognised deferred tax asset of £72.0m (2018: £52.3m). This is in respect of tax losses of £32.0m (2018: £31.8m) and deferred interest expenses of £40.0m (2018: £20.5m). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 17.0% (2018: 17.0%); the rate substantively enacted at the balance sheet date effective from 1 April 2020, which is the rate at which the deferred tax balances are forecast to unwind.

No deferred tax liability is recognised on temporary differences of £nil (2018: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017.

Due to the impact of these changes, significant previously unrecognised deferred tax assets were assessed as being recoverable during the year ended 30 June 2018. This was a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable.

A net deferred tax asset of £208.0m was therefore recognised as at 30 June 2018. This asset relates primarily to financial instruments, fixed asset temporary differences and tax losses.

There remains an unrecognised deferred tax asset of £72.0m (2018: £31.8m). This asset has not been recognised since it is not probable that these assets will be able to be utilised against future taxable profits of the Group.

The forecasts used for deferred tax asset recognition are the same as those used in the Group’s impairment testing. It is not considered probable that the remaining unrecognised deferred tax asset can be utilised by the Group in the foreseeable future. The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

21 Cash and cash equivalents

	30 June 2019 £m	30 June 2018 £m
Cash at bank	4.8	6.2
Short term deposits	8.6	4.1
Total cash and cash equivalents	**13.4**	**10.3**

22 Trade and other payables

	30 June 2019 £m	30 June 2018[1] £m
Current		
Trade and other payables		
Trade payables	47.5	61.4
Amounts payable to other group entities	1,252.2	1,083.6
Taxation and social security	20.6	23.5
Other payables	5.3	18.2
Accruals	92.5	102.6
	1,418.1	**1,289.3**
Contract liabilities – deferred income[2]	**176.6**	**173.4**
Non-current		
Contract liabilities – deferred income[2]	**248.6**	**283.1**

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

[2] Contract liabilities relate to deferred income balances. These balances have been reclassified as contract liabilities on the adoption of IFRS15.

23 Borrowings

	Denominated currency	30 June 2019	30 June 2018
		£m	£m
Within current liabilities:			
Bank loans			
- Senior debt	Sterling	20.0	-
Finance lease obligations (see note 24)	Sterling	0.8	0.7
Bank facility	Sterling	35.0	55.0
Senior bonds and notes (amortising)	Sterling	413.8	58.1
	US Dollar	29.6	19.1
Accrued interest on junior and senior financing[1]	Sterling	4.2	4.4
Borrowings due within one year		**503.4**	**137.3**
Within non-current liabilities:			
Bank loans		**368.3**	**441.7**
- Senior debt	Sterling	370.0	445.0
- Issue costs	Sterling	(1.7)	(3.3)
Other loans		**1,352.0**	**1,769.5**
- Senior bonds, notes and private placements	Sterling	1,116.0	1,524.1
	US Dollar	242.8	253.8
- Issue costs	Sterling	(6.8)	(8.4)
Amounts payable to other group entities	Sterling	**496.8**	**496.8**
Finance lease obligations (see note 24)	Sterling	**11.6**	**12.4**
Borrowings due after more than one year		**2,228.7**	**2,720.4**
Analysis of total borrowings by currency:			
Sterling		2,459.7	2,584.8
US Dollar		272.4	272.9
Total borrowings		**2,732.1**	**2,857.7**

Included within the £2,732.1m (2018: £2,857.7m) above are debt issue costs of £8.5m (2018: £11.7m). Total borrowings excluding these amounts are £2,740.6m (2018: £2,869.4m) which comprises debt principal and interest, the maturity of which is included in the table below.

[1] The balance at 30 June 2019 includes £7.6m (2018: £7.3m) interest receivable under swap arrangements associated with the underlying financing.

	30 June 2019 £m	30 June 2018 £m
Borrowings falling due within:		
One year	503.4	137.3
One to five years	898.1	898.7
More than five years	1,339.1	1,833.4
Total	**2,740.6**	**2,869.4**

The weighted average interest rate of borrowings is 7.29% (2018: 7.89%).

Bank loans form part of the Group's **senior debt**. **Other loans** comprise the Group's **senior bonds**.

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

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

In addition, there is a further £534m of borrowings with legal expected maturity dates between 2023 and 2030 which also benefit from such provisions with legal backstop maturity dates between 2037 and 2038. These balances are disclosed as falling due in-line with the earlier legal expected maturity date.

A summary of the movement in borrowings during the financial year is given below:

Borrowings:	Reference	At 1 July 2018 £m	Amounts repaid £m	Revaluations £m	At 30 June 2019 £m
Bank loans – working capital facility	(a)	55.0	(20.0)	-	35.0
Senior debt – institutional term loan	(b)	180.0	-	-	180.0
Senior debt – European Investment Bank	(c)	190.0	-	-	190.0
Senior debt – bank term loan	(d)	75.0	(55.0)	-	20.0
Senior bonds, notes and US private placement	(e)	1,855.1	(62.2)	9.3	1,802.2
Total bank loans and private placements		**2,355.1**	**(137.2)**	**9.3**	**2,227.2**
Finance lease obligations	(f)	13.1	(0.7)	-	12.4
Amounts payable to other group entities		496.8	-	-	496.8
Total borrowings		**2,865.0**	**(137.9)**	**9.3**	**2,736.4**

The Group's borrowings outlined in the table above incorporate:

(a) capital expenditure and working capital facilities (2019: £35.0m outstanding; 2018: £55.0m) with an expected maturity date of March 2021. Both of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £605.0m (2018: £585.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

(b) an institutional term loan (2019: £180.0m outstanding; 2018: £180.0m) with an expected maturity date of December 2023

(c) a loan from the European Investment Bank (2019: £190.0m outstanding; 2018: £190.0m) with an expected maturity date of June 2024

(d) a bank term loan (2019: £20.0m outstanding; 2018: £75.0m) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available);

(e) a combination of publicly listed bonds and US private placement notes.

As at 30 June 2019, the Group has £874.0m (2018: £900.7m) sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2019 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £498.5m (2018: £518.5m) of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2019 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps.

In addition, the Group has issued £429.8m (2018: £435.9m) of fixed rate US private placements in sterling and US dollar denominated notes. At the hedged rate these are valued at £384.6m (2018: 398.5m). These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £965.7m (2018: £1,004.0m) whilst their carrying value was £874.0m (2018: £900.7m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £456.1m (2018: £464.4m) whilst their carrying value was £429.8m (2018: £435.9m).

The remaining £498.5m (2018: £518.5m) of senior debt relates to other unquoted borrowings.

The directors consider the fair value of all un-quoted borrowings to be a close approximate to their carrying amount.

(f) obligations under finance leases are as defined within note 24.

The Group's senior bonds and notes are structured within a Whole Business Securitisation package (WBS). These instruments have covenants attached, principally an interest cover ratio and a debt leverage ratio. The Group continues to comply with all covenant requirements.

There have been no breaches of the terms of the loan agreements during the current or previous year.

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2019 £m	30 June 2018 £m
Within one year	1.7	1.7
In more than one year, but not more than five years	6.4	6.5
After five years	10.1	11.7
Total gross payments	**18.2**	**19.9**
Less finance charges included above	(5.8)	(6.8)
Total obligations under finance leases	**12.4**	**13.1**
Analysed as:		
Net amounts due for settlement within one year	0.8	0.7
Net amounts due for settlement after one year	11.6	12.4
Total obligations under finance leases	**12.4**	**13.1**

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25 Financial instruments and risk management

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (as set out in note 27; see note 21 for cash and cash equivalents and note 23 for borrowings) and equity of the Group (comprising issued capital and share premium, reserves, retained earnings and non-controlling interests).

Levels of debt are maintained on an ongoing basis to ensure that no breaches occur and repayments can be and are made as necessary with refinancings carried out as required.

Significant accounting policies
Details of significant accounting policies and methods adopted (including criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in full in note 3.

The Group's derivatives (i.e. interest rate swaps and cross-currency swaps) are measured on a fair value through profit and loss basis. Whilst the Group's derivatives act as an effective hedge in economic terms, hedge accounting principles are not applied. This means that the Group's derivatives are recognised at their risk-adjusted fair value (i.e. risk-adjusted Mark-to-Market value) at the date they are entered into and are revalued at each balance sheet date, with gains and losses being reported separately in the income statement within 'other gains and losses'. Net amounts paid in the year (excluding termination amounts) on interest rate swaps (together with similar amounts under the cross currency and index linked swaps) are reported as a component of net bank and other loan interest within finance costs

Financial risk management
The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The treasury function reports directly into the

Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- Interest rate swaps, including inflation-linked interest rate swaps to mitigate the risk of movement in interest rates;
- Cross-currency swaps to mitigate the risk of currency exposures on foreign denominated borrowings; and
- Forward foreign exchange contracts to manage exchange risks arising from transactional foreign exchange exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management

The Group principally operates from UK sites and predominantly in the UK market, but has some overseas subsidiaries and transactions denominated in foreign currencies. While some customer and supplier contracts are denominated in other currencies (mainly US dollars ('USD') and Euro), the majority of the Group's revenue and costs are Sterling based and accordingly exposure to foreign exchange risk is limited.

Foreign currency exchange risk can be subdivided into two components, transactional risk and translation risk:

Transactional risk: The Group's policy is to hedge material transactional currency exposures via the use of forward foreign exchange contracts. The measurement and control of this risk is monitored on a Group–wide basis.

Translation risk: The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only (0.7)% (2018: (0.3)%) of operating profit and 0.1% (2018: 0.3%) of total assets for the Group.

The Sterling equivalents of the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (excluding hedged US dollar-denominated borrowings) at the year-end were as follows:

	30 June 2019 £m	30 June 2018 £m
Monetary assets:		
- US Dollar	3.0	3.7
- Euro	12.3	9.2
- Other (including SGD*)	1.4	1.0
Total	**16.7**	**13.9**
Monetary liabilities:		
- US Dollar	(0.3)	(0.6)
- Euro	(4.2)	(5.2)
- Other (including SGD*)	-	(0.1)
Total	**(4.5)**	**(5.9)**

* refers to Singapore dollar, being the most frequently transacted currency within 'other monetary assets and liabilities'.

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2018: 0.0%).

During the year cross currency swaps (nominal value USD 345.5m, 2018: USD 358.0m) were used to fix the exchange rate to $1.52/£1 in relation to US dollar-denominated senior notes (nominal value USD 345.5m, 2018: USD 358.0m). This provides an effective economic hedge of the foreign currency impact on the Sterling cost of future interest and capital repayment obligations.

After taking into account our hedging activities, management does not consider there to be a material residual exposure to exchange rates. Accordingly no sensitivity analysis has been presented.

Interest rate risk management
The Group has variable rate bank and US private placement debt and uses interest rate swaps ('IRS') and inflation-linked swaps ('ILS') to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows. The Group has fixed rate hedging, split between IRS and ILS. IRS convert variable rate interest costs to fixed rate interest costs while ILS convert fixed or variable rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a portion of the Group's revenue contracts. These swaps are entered into on terms (including maturity) that mirror the debt instrument they hedge, and therefore act as an effective economic hedge.

As the Group uses hedging to maintain fixed interest rates on all of its material borrowings (excluding revolving facilities), there is minimal exposure on the interest expense to interest rate movements. A rise or fall in interest rates would therefore not materially impact the interest expense payable by the Group.

Liquidity risk management
To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. The Group carefully manages the counterparty 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 counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

The Group is due to repay or refinance £1.2bn of debt in the next 5 years to 30 June 2024. Regular reviews are performed to assess headroom between interest and capital repayments against forecast cash flows, thus monitoring the liquidity risk and the Group's ability to repay the debt.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities and derivative financial liabilities. The amounts presented in respect of the non-derivative financial liabilities represent the gross contractual cash flows on an un-discounted basis. Accordingly, these amounts may not reconcile directly with the amounts disclosed in the statement of financial position. The amounts presented in respect of the Group's derivative financial instruments represent their fair value and are accordingly consistent with the amounts included in the statement of financial position.

30 June 2019	Amounts falling due Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m	Effect of discounting £m	Interest to be incurred in future periods £m	Total financial liability/(asset) per statement of financial position £m
Trade payables	47.5	-	-	-	47.5	-	-	**47.5**
Provisions	8.0	0.8	1.6	178.1	188.5	(108.7)	-	**79.8**
Borrowings*	499.2	119.5	588.6	1,529.1	2,736.4	-	-	**2,736.4**
	554.7	**120.3**	**590.2**	**1,707.2**	**2,972.4**	**(108.7)**	**-**	**2,863.7**
Interest on borrowings	83.6	64.8	160.9	142.7	452.0	-	(447.8)	**4.2**
Interest rate swaps	51.8	49.9	129.3	65.5	296.5	(20.6)	-	**275.9**
Inflation linked interest rate swaps	139.8	98.6	330.8	350.2	919.4	(152.0)	-	**767.4**
Cross-currency swaps	(5.2)	(9.2)	(25.5)	(10.6)	(50.5)	9.0	-	**(41.5)**
	186.4	**139.3**	**434.6**	**405.1**	**1,165.4**	**(163.6)**	**-**	**1,001.8**
Total financial liability	**824.7**	**324.4**	**1,185.7**	**2,255.0**	**4,589.8**	**(272.3)**	**(447.8)**	**3,869.7**

*Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

Included within borrowings due within one year are annual amortising debt repayments together with £350m of senior notes with an expected maturity of June 2020, the refinancing of which is disclosed in note 23.

30 June 2018	Within one year	Between one and two years	Between two and five years	After five years	Total	Effect of discounting	Interest to be incurred in future periods	Total financial liability/(asset) per statement of financial position
	Amounts falling due							
	£m	£m	£m	£m	£m	£m	£m	£m
Trade payables	61.4	-	-	-	61.4	-	-	**61.4**
Provisions	3.2	1.2	3.6	169.1	177.1	(109.5)	-	**67.6**
Borrowings*	132.2	502.2	393.3	1,327.5	2,355.2	-	-	**2,355.2**
	196.8	**503.4**	**396.9**	**1,496.6**	**2,593.7**	**(109.5)**	**-**	**2,484.2**
Interest on borrowings	85.7	84.0	189.2	198.9	557.8	-	(553.4)	**4.4**
Interest rate swaps	58.1	49.1	127.0	91.1	325.3	(27.6)	-	**297.7**
Inflation linked interest rate swaps	84.4	85.9	284.1	427.4	881.8	(126.7)	-	**755.1**
Cross-currency swaps	(4.1)	(4.0)	(20.4)	(14.4)	(42.9)	20.9	-	**(22.0)**
	138.4	**131.0**	**390.7**	**504.1**	**1,164.2**	**(133.4)**	**-**	**1,030.8**
Total financial liability	**420.9**	**718.4**	**976.8**	**2,199.6**	**4,315.7**	**(242.9)**	**(553.4)**	**3,519.4**

*Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.

The table below outlines the additional financing facilities available to the Group:

	30 June 2019	30 June 2018
	£m	£m
Secured bank facilities:		
- Amount utilised	35.0	55.0
- Amount unutilised	605.0	585.0
Total	**640.0**	**640.0**

When debt has been refinanced the Group has also restructured the associated swaps to reflect the new maturity profile.

Credit risk management

The Group is exposed to credit risk on customer receivables, which is managed through 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. Expected impairment for trade receivables are calculated on historical default rates. Details of this provision are shown in note 18.

Financial instruments

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

The weighted average interest rate of fixed rate financial liabilities at 30 June 2019 was 4.5% (2018: 4.5%) and the weighted average period of funding was 4.8 years (2018: 5.8 years).

Within the Group's financial liabilities were borrowings of £2,732.1m (2018: £2,857.7m) (see note 23), which includes £923.5m (2018: £1,038.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £13.4m (2018: £10.3m) and loans and receivables of £232.4m (2018: £223.2m) as presented in notes 21 and 18 respectively.

Derivative financial instruments

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

At the year end, the Group held interest rate swaps with notional amounts of £873.5m (2018: £976.5m) which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.8% (2018: 7.0%). The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

The Group has also entered into index linked swaps (notional amounts of £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.906% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2019 (£44.3m; 2018: £58.6m). All of these instruments have a maturity date of April 2027 except for a notional amount of £235.0m which have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 345.5m (2018: USD 358.0m) of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2019 is a liability of £1,001.8m (2018: £1,030.8m). This fair value is calculated using a risk-adjusted discount rate.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	30 June 2019 £m	30 June 2018 £m
Interest rate swaps	(275.9)	(297.7)
Inflation-linked interest rate swaps	(767.4)	(755.1)
Cross-currency swaps	41.5	22.0
Total	**(1,001.8)**	**(1,030.8)**
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	(7.9)	106.3
- Attributable to changes in perceived credit risk	(5.8)	(16.0)
Total (loss) / gain recognised in the income statement	**(13.7)**	**90.3**
Cash settlement of principal accretion on inflation-linked swaps	44.3	58.6
Cash inflow on redemption of swaps	(1.6)	-
Total change in fair value	**29.0**	**148.9**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

26 Provisions

	Decommissioning £m	Restructuring £m	Remediation £m	Other £m	Total £m
At 1 July 2018	**60.7**	**0.2**	**5.2**	**1.5**	**67.6**
Income statement expense	0.5	5.4	-	0.7	6.6
Additions created through property, plant and equipment	4.9	-	-	-	4.9
Unwind of discount	3.7	-	0.4	-	4.1
Released	(1.1)	-	(0.2)	-	(1.3)
Utilised	(0.2)	(1.8)	(0.1)	-	(2.1)
At 30 June 2019	**68.5**	**3.8**	**5.3**	**2.2**	**79.8**

	30 June 2019 £m	30 June 2018 £m
Analysed as:		
Current	6.2	2.8
Non-current	73.6	64.8
	79.8	**67.6**

Provisions are made for decommissioning costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The decommissioning provisions are reviewed annually and calculated using expected costs as determined by site and project management. The provision is in relation to assets of which the remaining useful economic life ranges up to 18 years.

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

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 one to ten years.

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

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2019	Year ended 30 June 2018[1]
	£m	£m
Operating profit	322.5	327.3
Adjustments for:		
Depreciation of property, plant and equipment	184.1	166.3
Amortisation of intangible assets	15.8	16.7
Impairment charges	-	4.4
(Profit) / loss on disposal of property, plant and equipment	(0.1)	0.1
Other income	(7.5)	(4.6)
Share of results of associates and joint ventures	-	(0.2)
Operating cash flows before movements in working capital	514.8	510.0
Decrease in receivables	48.6	4.6
(Decrease) / increase in payables	(78.9)	70.2
Increase / (decrease) in provisions	2.7	(12.6)
Cash generated from operating activities	487.2	**572.2**
Taxes paid	(0.2)	(0.1)
Net cash from operating activities	**487.0**	**572.1**

Analysis of changes in financial liabilities:

	At 1 July 2018	Changes in financing cash flows (Cash)	Changes in foreign exchange (Non-cash)	Changes in fair value (Non-cash)	Other changes including accrued interest (Non-cash)	At 30 June 2019
	£m	£m	£m	£m	£m	£m
Current borrowings (Note 23)	132.9	(83.0)	-	-	449.3	499.2
Non-current borrowings (Note 23)	2,720.4	(55.0)	9.3	-	(446.0)	2,228.7
Accrued interest on borrowings (Note 23)	4.4	(169.0)	(0.2)	-	169.0	4.2
Derivative financial instrument Liabilities (Note 25)	1,030.8	(42.7)	-	13.7	-	1,001.8
Total	**3,888.5**	**(349.7)**	**9.1**	**13.7**	**172.3**	**3,733.9**

The movements above do not include issue costs associated with entering the borrowing arrangements (see note 23).

[1] Figures as at 30 June 2018 have been restated for the adoption of IFRS 15 *'Revenue from contracts with customers'*. See note 33 for further information.

28 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	30 June 2019 £m	30 June 2018 £m
Within one year	25.7	45.4
Within two to five years	0.7	2.4
Total capital commitments	**26.4**	**47.8**

Operating leases

Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2019 £m	30 June 2018 £m
Within one year	48.0	33.9
Within two to five years	119.5	96.0
After five years	76.8	131.6
Total future minimum operating lease payments	**244.3**	**261.5**

Other annual lease commitments fall due:

	30 June 2019 £m	30 June 2018 £m
Within one year	1.2	1.1
Within two to five years	1.8	1.9
Total future minimum operating lease payments	**3.0**	**3.0**

In addition the Group has various service supply agreements for circuits connectivity which amount to £24.0m per annum (2018: £24.0m).

29 Disposal of business

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

30 Retirement benefits

Defined contribution scheme
Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £10.0m (2018: £10.8m). The assets of the Scheme are held outside of the Group.

An amount of £1.3m (2018: £1.3m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan
In the year to 30 June 2019, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The Trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The Trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, longevity risk, and salary risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 19 years.

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

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2019	30 June 2018
Key assumptions		
Discount rate	2.40%	2.80%
Price inflation (RPI)	3.20%	3.00%
Life expectancy of a male / female age 60 (current pensioner)	26.0yrs / 28.1yrs	26.6yrs / 28.6yrs
Life expectancy of a male / female age 60 (future pensioner)	27.6yrs / 29.7yrs	28.1yrs / 30.2yrs
Other linked assumptions		
Price inflation (CPI)	2.10%	1.90%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.70%	3.60%
Pension increases (RPI with a maximum of 10%)	3.20%	3.00%
Salary growth	n/a	n/a

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Components of defined benefit costs recognised in profit or loss	0.6	0.2
	0.6	**0.2**

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

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Return on Plan assets excluding Interest Income	20.2	1.8
Experience gains arising on the Plan's liabilities	0.2	4.4
Actuarial (losses) / gains arising from changes in financial assumptions	(24.8)	3.3
Actuarial (losses) / gains arising from changes in demographic assumptions	(0.7)	1.3
	(5.1)	**10.8**

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

	30 June 2019 £m	30 June 2018 £m
Fair value of Plan assets	259.4	239.0
Present value of defined benefit Plan liabilities	(237.4)	(218.4)
Surplus at 30 June	**22.0**	**20.6**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Surplus at 1 July	20.6	7.1
Amount recognised in profit or loss	0.6	0.2
Amount recognised in Other Comprehensive Income	(5.1)	10.8
Company contributions	5.9	2.5
Surplus at 30 June	**22.0**	**20.6**

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
1 July	(218.4)	(234.0)
Contributions by employees	(0.9)	(0.7)
Interest cost	(5.9)	(6.4)
Benefits paid	13.1	13.7
Experience gains arising on the Plan's liabilities	0.2	4.4
Actuarial (losses) / gains arising from changes in financial assumptions	(24.8)	3.3
Actuarial (losses) / gains arising from changes in demographic assumptions	(0.7)	1.3
30 June	**(237.4)**	**(218.4)**

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
1 July	239.0	241.1
Interest income	6.6	6.6
Return on Plan assets excluding interest income	20.1	1.8
Contributions by employer	5.9	2.5
Contributions by employees	0.9	0.7
Benefits paid	(13.1)	(13.7)
30 June	**259.4**	**239.0**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2019 £m	30 June 2018 £m
Equity instruments	92.1	85.5
Diversified growth funds	19.4	18.8
Corporate bonds	19.7	20.0
Government bonds	127.7	112.2
Cash and equivalents	0.5	2.5
Total	**259.4**	**239.0**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the funding valuation as at 30 June 2017, Arqiva Limited agreed to pay deficit contributions of £3.4m in October 2018, and a further £5.4m is due by 31 July 2019.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2019 year end results to changes in the three key assumptions is shown below:

Funding Position	**Discount rate decrease of 0.1%**	**RPI increase of 0.1%**	**Longevity assumption increase of +1 year**
Increase in Plan liabilities	£5.0m	£3.5m	£7.8m

The sensitivity of the 2018 year end results to changes in the three key assumptions is shown below:

Funding Position	**Discount rate decrease of 0.1%**	**RPI increase of 0.1%**	**Longevity assumption increase of +1 year**
Increase in Plan liabilities	£4.2m	£3.1m	£6.4m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with the Group's pension scheme are disclosed in note 30. Transactions between the Group and its associates, joint ventures and entities under common influence are disclosed below.

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

Trading transactions

During the year ended 30 June 2019 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		**Purchase of goods and services**	
	Year ended 30 June 2019 £m	**Year ended 30 June 2018 £m**	**Year ended 30 June 2019 £m**	**Year ended 30 June 2018 £m**
Associates	-	-	6.3	6.6
Joint ventures	3.9	3.5	2.5	2.3
Entities under common influence	-	0.9	-	0.7
Other group entities	72.1	40.0	-	-
	76.0	**44.4**	**8.8**	**9.6**

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

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

As at 30 June 2019 the amount payable to joint ventures was £0.2m (2018: £0.2m).

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

As at 30 June 2019, the amounts receivable from and payable to other group entities are disclosed in notes 18 and 22 respectively.

Remuneration of Directors and key management personnel
The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Short-term employee benefits	4.6	4.1
Termination benefits	0.9	1.1
Post-employment benefits	0.2	0.3
	5.7	**5.5**

One member of the Directors and key management personnel (2018: one) is a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 134.

32 Controlling parties

The Company's immediate parent is Arqiva Broadcast Intermediate Limited ('ABIL'). Copies of the ABIL financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK parent undertaking is Arqiva Group Limited ('AGL') which is the parent undertaking of the largest group to consolidate these financial statements.

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

AGL 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.

33 Effects of changes in accounting policies

The Group adopted IFRS 9 and IFRS 15 with a transition date of 1 July 2017. As a result of the adoption of IFRS 15 and the changes in the revenue accounting policy, prior year financial statements were restated. The adoption of IFRS 9 has not impacted the figures previously reported.

The following tables show the adjustments recognised for each line item of the financial statements affected.

	Adjustments	30 June 2018 As originally Presented £m	IFRS 15 £m	**30 June 2018 As restated £m**
Revenue	a, b	962.4	1.8	**964.2**
Cost of sales		(323.0)	-	**(323.0)**
Gross profit		**639.4**	1.8	**641.2**
Depreciation	b	*(163.7)*	*(2.6)*	***(166.3)***
Amortisation		*(16.7)*	-	***(16.7)***
Impairment		*(4.4)*	-	***(4.4)***
Other operating expenses		*(131.3)*	-	***(131.3)***
Total operating expenses		(316.1)	(2.6)	**(318.7)**
Other income		4.6	-	**4.6**
Share of results of associates and joint ventures		0.2	-	**0.2**
Operating profit		**328.1**	(0.8)	**327.3**
Finance income		1.7	-	**1.7**
Finance costs		(347.9)	-	**(347.9)**
Other gains and losses		92.4	-	**92.4**
Loss before tax		**74.3**	(0.8)	**73.5**
Tax	c	224.3	1.9	226.2
Profit/(loss) for the year		**298.6**	**1.1**	**299.7**
Attributable to:				
Owners of the Company		**298.2**	1.1	**299.3**
Non-controlling interests		**0.4**	-	**0.4**
		298.6	1.1	**299.7**

There was no further impact on other comprehensive income as a result of the adoption of IFRS 15 '*Revenue from contracts with customers*'.

	Adjustments	30 June 2018 As originally Presented £m	IFRS 15 £m	**30 June 2018 As restated £m**
Non-current assets				
Goodwill		1,980.6	-	1,980.6
Other intangible assets		59.0	-	59.0
Property, plant and equipment	b	1,750.2	20.2	1,770.4
Deferred tax		206.1	1.9	208.0
Retirement benefits		20.6	-	20.6
Interest in associates and joint ventures		0.1	-	0.1
		4,016.6	**22.1**	**4,038.7**
Current assets				
Trade and other receivables	b, d	302.5	(63.8)	238.7
Contract assets	d	-	40.4	40.4
Cash and cash equivalents		10.3	-	10.3
		312.8	**(23.4)**	**289.4**
Total assets		**4,329.4**	**(1.3)**	**4,328.1**
Current liabilities				
Trade and other payables	a	(1,462.3)	173.0	(1,289.3)
Contract liabilities	d	-	(173.4)	(173.4)
Borrowings		(137.3)	-	(137.3)
Provisions		(2.8)	-	(2.8)
		(1,602.4)	**(0.4)**	**(1,602.8)**
Net current liabilities		**(1,289.6)**	**(23.8)**	**(1,313.4)**
Non-current liabilities				
Other payables (including deferred revenue)	d	(276.5)	276.5	-
Contract liabilities	a, d	-	(283.1)	(283.1)
Borrowings		(2,720.4)	-	(2,720.4)
Derivative financial instruments		(1,030.8)	-	(1,030.8)
Provisions		(64.8)	-	(64.8)
		(4,092.5)	**(6.6)**	**(4,099.1)**
Total liabilities		**(5,694.9)**	**(7.0)**	**(5,701.9)**
Net liabilities		**(1,365.5)**	**(8.3)**	**(1,373.8)**
Equity				
Share capital		0.1	-	0.1
Accumulated losses	a,b,c	(1,486.8)	(8.3)	(1,495.1)
Merger reserve		(188.5)	-	(188.5)
Capital contribution reserve		311.9	-	311.9
Translation reserve		(3.1)	-	(3.1)
Total equity attributable to owners of the Parent		(1,366.4)	(8.3)	(1,374.7)
Non-controlling interest		0.9	-	0.9
Total equity		**(1,365.5)**	**(8.3)**	**(1,373.8)**

	Adjustments	1 July 2017 As originally Presented £m	IFRS 15 £m	**1 July 2017 As restated £m**
Non-current assets				
Goodwill		1,980.6	-	1,980.6
Other intangible assets		48.9	-	48.9
Property, plant and equipment	b	1,770.2	22.8	1,793.0
Deferred tax		-	-	-
Retirement benefits		7.1	-	7.1
Interest in associates and joint ventures		5.1	-	5.1
		3,811.9	**22.8**	**3,834.7**
Current assets				
Trade and other receivables	b, d	289.8	(71.7)	218.1
Contract assets	d	-	47.0	47.0
Cash and cash equivalents		7.1	-	7.1
		296.9	**(24.7)**	**272.2**
Total assets		**4,108.8**	**(1.9)**	**4,106.9**
Current liabilities				
Trade and other payables	a	(1,391.9)	210.6	(1,181.3)
Contract liabilities	d	-	(211.0)	(211.0)
Borrowings		(99.2)	-	(99.2)
Provisions		(18.8)	-	(18.8)
		(1,509.9)	**(0.4)**	**(1,510.3)**
Net current liabilities		**(1,213.0)**	**(25.1)**	**(1,238.1)**
Non-current liabilities				
Other payables (including deferred revenue)	d	(159.4)	159.4	-
Contract liabilities	a, d	-	(166.5)	(166.5)
Borrowings		(2,876.0)	-	(2,876.0)
Derivative financial instruments		(1,179.7)	-	(1,179.7)
Provisions		(57.0)	-	(57.0)
		(4,272.1)	**(7.1)**	**(4,279.2)**
Total liabilities		**(5,782.0)**	**(7.5)**	**(5,789.5)**
Net liabilities		**(1,673.2)**	**(9.4)**	**(1,682.6)**
Equity				
Share capital		0.1	-	0.1
Accumulated losses	a,b,c	(1,794.0)	(9.4)	(1,803.4)
Merger reserve		(188.5)	-	(188.5)
Capital contribution reserve		311.9	-	311.9
Translation reserve		(3.3)	-	(3.3)
Total equity attributable to owners of the Parent		(1,673.8)	(9.4)	(1,683.2)
Non-controlling interest		0.6	-	0.6
Total equity		**(1,673.2)**	**(9.4)**	**(1,682.6)**

The impact on the groups accounting policies and the nature of the adjustments resulting from the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* are described below:

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15)

IFRS 15 has replaced IAS 18 *Revenue (IAS 18)* and IAS 11 *Construction Contracts* as well as various interpretations previously issued by the IFRS Interpretations Committee. It has impacted the Group in the following ways:

a) Under IFRS 15 certain contracts are captured by the 'variable consideration' rules and a change in total transaction price is therefore adjusted retrospectively.
b) Under IFRS 15 certain contracts have been assessed under different distinct performance obligations. Treatment of the costs and revenue associated should therefore be aligned with the rest of the contract resulting in the associated costs being capitalised and revenue recognised over the duration of the contract.
c) Tax impact of adjustments noted.
d) The company has changed the presentation of certain amounts in the statement of financial position to reflect the terminology of IFRS 15. Accrued income of £63.8m (2017: £71.7m) has been reclassified as contract assets being the right to consideration in exchange for goods or services that the entity has transferred to a customer, when that right is conditioned on something other than the passage of time. Deferred income of £173.0m (2017: £210.6m) (current) and £276.5m (2017: £159.4m) (non-current) has been reclassified as contract liabilities being the obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

The Group chose to adopt IFRS 15 on a fully retrospective basis, enabling it to take advantage of the following transitional provisions:

- Completed contracts have not been restated. Completed contracts are those contracts which:
  - began and ended within the same annual reporting period; or
  - were completed by 30 June 2017.
- For completed contracts that have variable consideration, the transaction price at the date the contract was completed has been used instead of estimating variable consideration amounts in comparative periods.

When identifying satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to performance obligations, the Group has considered only the aggregate effect of all contract modifications made before 1 July 2018.

IFRS 9 *Financial Instruments* (IFRS 9)

IFRS 9 has changed the rules concerning the classification, measurement and recognition of financial assets and financial liabilities, introduced new rules for hedge accounting and debt modifications and a new impairment model for financial assets.

Prior to the implementation of IFRS 9 the majority of the Groups assets and liabilities were classified as fair value through profit or loss or amortised cost, the adoption of IFRS 9 has not changed the classification of the groups assets and liabilities and as such there has been no impact on these balances upon implementation.

Refinancings undertaken by the group have been reviewed and any changes in debt have been determined to be debt extinguishments and new debt rather than modified terms of existing debt. As such there has been no impact of the adoption of IFRS 9 on this area of the financial statements.

The new impairment model under IFRS 9 requires the recognition of impairment provisions against financial assets based on an expected credit loss model rather than incurred credit losses as previously required. We have revised the methodologies we use to impair financial assets to reflect the forward-looking 'expected credit loss' model introduced by IFRS 9, in contrast to the backward-looking 'incurred credit loss' model used under IAS 39. As a result, we now recognise a loss allowance for all expected credit losses on initial recognition of financial assets, including trade receivables and the contract assets recognised on transition to IFRS 15. The groups' expected loss rate for receivables is between 0.4% and 1.3%. The new impairment model does not require retrospective application and therefore has not impacted the results previously reported.

Directors' report for Arqiva Group Parent Limited ('the Company')

The Directors of Arqiva Group Parent Limited, registered company number 08085794, ('the Company') submit the following annual report and financial statements in respect of the year ended 30 June 2019.

Business review and principal activities

The Company acts as holding company with investments in a group of operating companies, financing companies and other holding companies ('the Group').

The Company has a result for the year of £nil (2018: £nil) and net assets of £3,493.3m (2018: £3,493.3m).

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company, the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 46 to 50.

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 27 and 28.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2018: nil).

Financial risk management

Due to the straightforward nature of the Company's operations, it is exposed to limited financial risks. The Group's financial risk management programme is detailed on pages 51 to 52.

Future developments and going concern

It is the intention of the Company to continue to act as the Group's ultimate holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resource of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

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

Mike Parton
Mark Braithwaite
Christian Seymour
Peter Adams (alternate)
Damian Walsh (resigned 10 September 2018)
Nathan Luckey
Sally Davis
Simon Beresford-Wylie
Deepu Chintamaneni (alternate) (resigned 30 November 2018)
Paul Dollman (resigned 10 September 2018)
Neil King
Martin Healey
Neil Townson (resigned 31 August 2018)
Daniel Jaffe (appointed 31 August 2018)
Frank Dangeard (appointed 10 September 2018)
Michael Darcey (appointed 10 September 2018)
Paul Donovan (appointed 10 September 2018)
Maximilian Fieguth (appointed 30 November 2018)

Jeremy Mavor is the Company Secretary.

Directors' indemnities

The Company has 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.

On behalf of the Board

Frank Dangeard - Director
25 September 2019

Company statement of financial position

	Note	30 June 2019 £m	30 June 2018 £m
Non-current assets			
Investments	3	3,493.3	3,493.3
Receivables	4	496.8	496.8
		3,990.1	**3,990.1**
Current assets			
Receivables	4	1,214.9	1,079.0
Total current assets		**1,214.9**	**1,079.0**
Payables	5	(1,214.9)	(1,079.0)
Net current liabilities		-	-
Borrowings		(496.8)	(496.8)
Net assets		**3,493.3**	**3,493.3**
Equity			
Share capital		0.1	0.1
Capital contribution reserve		3,493.2	3,493.2
Total equity		**3,493.3**	**3,493.3**

The accounting policies and notes on page 133 form part of these financial statements.

The result for the financial year for the Company was £nil (2018: £nil).

These financial statements on pages 131 to 138 were approved by the Board of Directors on 25 September 2019 and were signed on its behalf by:

Frank Dangeard - Director

Company statement of changes in equity

	Share capital* £m	Capital contribution reserve £m	Total equity £m
Balance at 1 July 2017	0.1	3,493.2	3,493.3
Result for the financial year	-	-	-
Balance at 30 June 2018	**0.1**	**3,493.2**	**3,493.3**
Result for the financial year	-	-	-
Balance at 30 June 2019	**0.1**	**3,493.2**	**3,493.3**

*Comprises 50,001 (2018: 50,001) authorised, issued and fully paid ordinary shares of £1 each.

Notes to the Company financial statements

1 Arqiva Group Parent Limited accounting policies and other information

Basis of preparation

As used in these financial statements and associated notes, the term 'Company' refers to Arqiva Group Parent Limited.

Arqiva Group Parent Limited is a private company limited by shares incorporated in the United Kingdom. The registered address of the Company is Crawley Court, Winchester, Hampshire, SO21 2QA.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis and under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Group Parent Limited and its subsidiaries) are available online at www.arqiva.com. Accounting policies have been applied consistently throughout.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement has not been presented.

New and revised Standards and Interpretations have been adopted in the current year, a list of which can be found in note 2 of the Group financial statements. There is no material impact on the Company. The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

EU-adopted IFRS	Relevant disclosure exemptions
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 24 Related Party Disclosures	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member.

Accounting policies

Investments

Investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity.

Other information

Employees

The Company had no employees during the year (2018: none). None of the Directors (2018: none) were remunerated by the Company. 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 remuneration in respect of their service to the Company except where sums are paid to third parties in respect of their services. There were no such sums paid in the year (2018: none).

Audit fees

The audit fee in respect of the Company and fees payable to PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

Critical accounting estimates and judgements

The application of these accounting policies did not require any critical judgements or any sources of estimation uncertainty.

2 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the Group are set out below:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Aggregate remuneration	1.9	1.0
Amounts due under long term incentive plans	0.5	2.5
Total remuneration	**2.4**	**3.5**

Certain of the 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 not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company and the Group except where sums are paid to third parties in respect of their services, of which there were £nil (2018: £nil) in relation to the Company. Accordingly, no remuneration in respect of these Directors is recognised in the Company.

There is one directors to whom retirement benefits accrued in respect of qualifying services (2018: one).

Highest paid director
Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Aggregate remuneration	1.8	2.0
Total remuneration	**1.8**	**2.0**

3 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Aerial UK Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant 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%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Pension Trust Limited	United Kingdom	Dormant company	31-Mar	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission services	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Dormant company	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Dormant company	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Dormant company	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	80%
Now Digital (Oxford) Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	Dormant company	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

The Company held the following investments in subsidiaries:

	Total
	£m
Cost	
At 1 July 2018 and 30 June 2019	3,493.3
Provision for impairment	
At 1 July 2018 and 30 June 2019	-
Carrying value	
At 30 June 2018 and 30 June 2019	**3,493.3**

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets.

4 Receivables

Amounts receivable from other Group entities are unsecured, repayable on demand and interest has been charged at 9.5%.

5 Payables

	30 June 2019	30 June 2018
	£m	£m
Amounts payable to other Group entities	1,214.9	1,079.0
Total	**1,214.9**	**1,079.0**

Amounts payable to other Group entities are unsecured, repayable on demand and interest has been charged at 9.5%.

The Company has no payables falling due after more than one year.

6 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly-owned by another Group entity.

7 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

The Company is the parent company of the largest group to consolidate these financial statements.