Arqiva Limited

Registered number 02487597

Annual Report and Financial Statements

For the year ended 30 June 2014

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Strategic report

The Directors, in preparing this Strategic report, have complied with section 414 of the Companies Act 2006. This Strategic Report has been prepared for Arqiva Limited ('the Company').

The Company operates within the Arqiva Broadcast Holdings Limited ('ABHL') group ('the Group' or 'Arqiva'), within four of the Group's revenue generating business units, Terrestrial Broadcast, Satellite and Media, Telecoms and Smart Metering M2M. The Company employees the majority of the Group's workforce and provides the services of the Group's Technology business unit and central corporate functions to other Group companies. The Company has levied a management recharge in respect of such services. This Strategic report has been prepared in this context and refers principally to the Group at which key strategic, operating and financial decisions integral to the Company are made. Matters specific to the Company are set out from page 13 and revenue by business unit is shown in note 2 on page 31.

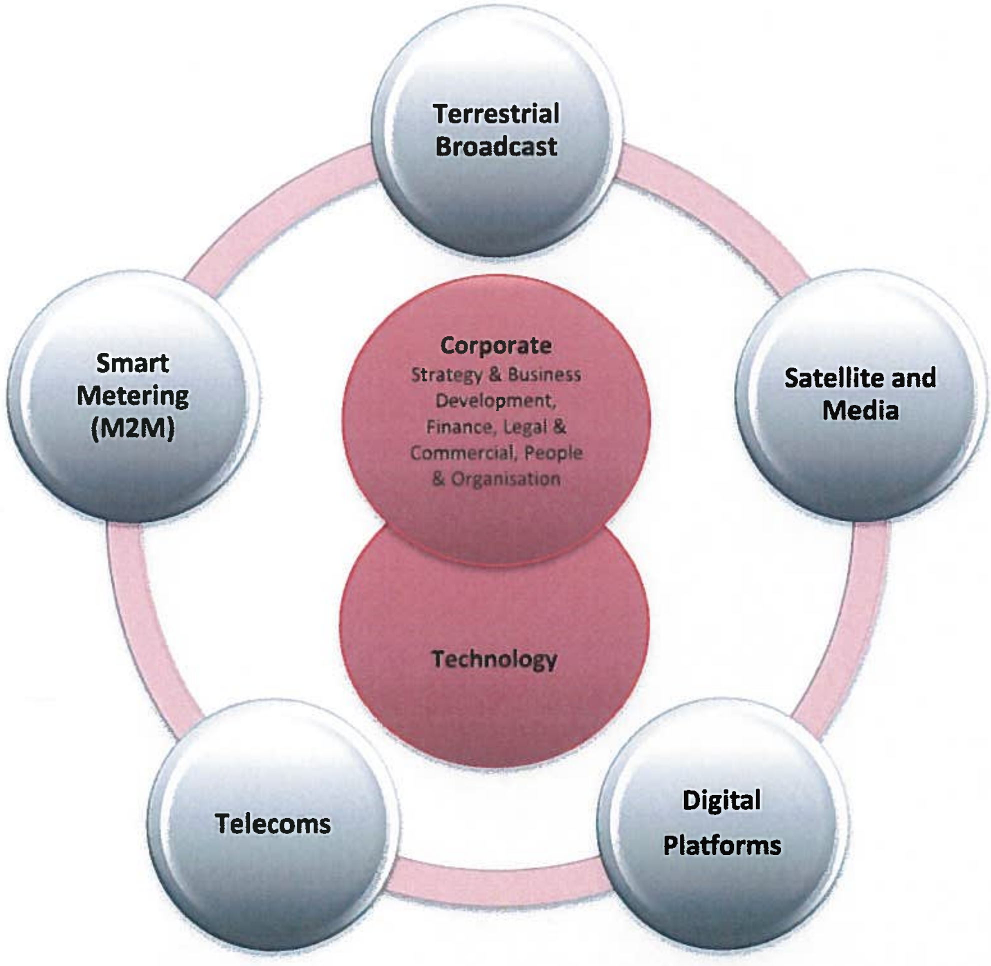
Our Business

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental to mobile network operators, media services and radio communications in the United Kingdom ('UK') and overseas. We live in an always on, always connected world. Millions of people depend daily on a continuous stream of information, education, entertainment and conversation. As more and more individuals, companies and public services organisations seek to connect safely and securely to one another, we aim to be central to every vital connection they make. Our services already touch the lives of virtually every person in the UK every day.

Our values – being ingenious, straightforward and collaborative - aim to ensure that we all go the extra mile to help our customers reach their customers and audiences.

Our Business Units

During the past year the Group has restructured its business into five customer facing business units (as depicted below) supported by the Technology business unit and a central corporate function. The previous Business Operations division was aligned into the other business units during the year. The business units within the Group comprise:



The notes to the financial statements show the realignment of headcount (see note 5 on page 34) resulting from this reorganisation. Note that the Company generates revenue within four of these business units (see page 13 and note 2 on page 31).

Terrestrial Broadcast is the sole provider of transmission services and infrastructure for all UK terrestrial TV broadcasters including BBC, ITV and C4, who reach 20 million homes and cover 98.5% of the UK population. It also owns and operates over 90% of the radio transmission towers for terrestrial broadcasting in the UK and is the operator of the only commercial national digital radio multiplex.

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

Digital Platforms owns and operates two of the three main national commercial digital terrestrial TV multiplexes (out of a total of six multiplexes), plus two new T2 multiplexes (for additional services including HD on Freeview), used for transmission of Digital Terrestrial Television ('DTT') services in the UK. These enable major media companies to bring their TV and radio services to 20 million homes with access to the Freeview platform.

Telecoms service the mobile communications, public safety, local government and commercial markets. Arqiva is the largest independent provider of towers in the UK, which are licensed to national Mobile Network Operators ('MNOs') and other wireless network operators. With its own spectrum, the Group has the strategic capability to provide complete mobile communications networks including backhaul links. The Group's WiFi infrastructure business is one of the UK's largest WiFi hotspot providers.

Smart Metering/Machine to Machine (M2M) is the Group's newest business unit, set up to build on Arqiva's success in winning the 15 year smart metering contract in the North of England and Scotland and pursue the wider opportunities in this space. The smart metering contract involves building a new smart network and delivering the energy smart metering communications service for Scotland and the north of England, as well as managing engagement with the energy industry and other key stakeholders. The business unit is pursuing new business opportunities in related smart and M2M markets, including many fast developing areas such as smart water metering, smart grids and a wide set of other potential M2M applications, including the Internet of Things ('IoT').

The **Technology division** supports the operational infrastructure, including monitoring and maintenance services for the whole of the Group, their focus being on service, efficiency and new technology.

Central **Corporate** functions comprise Strategy & Business Development, Finance, Legal & Commercial, and People & Organisation. The Group has invested in strengthening these areas in recent years in order to better support the growth agenda of our business.

The Group's radio and TV broadcast operations are regulated by the Office of Communications ('Ofcom') on behalf of the wholesale broadcast customers. The Terrestrial Broadcast business unit is impacted by this regulation. The Satellite, Telecoms, Digital Platforms and Smart Metering (M2M) business units are classified as non-regulated. Technology and the corporate functions provide support services across all business units.

Our business environment

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

Arqiva is the sole owner and operator of the UK's nationwide terrestrial TV infrastructure and the major owner and operator of the UK's radio infrastructure. The Group's activities have been key to the technological evolution from analogue to digital based services and are critical to all terrestrial TV and radio broadcasters. The switchover of the UK's terrestrial TV system to a high power digital transmission service (the Digital Switch-Over – 'DSO') together with network consolidation and technological change within the mobile communications sector are key market changes which continue to impact the Group's existing businesses.

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

Arqiva holds spectrum licences for two of the three main national commercial digital terrestrial TV multiplexes (to 2026) plus two new T2 multiplexes (also to 2026), selling space for channel programming on the Freeview platform. Arqiva has continued to run at high levels of utilisation with customers including Film4 and UKTV. Channel contracts vary in length but are usually between three and five years duration. Advancements in compression technology (i.e. increasing the number of video streams, or channels, per multiplex) continue to provide opportunities for additional revenues from new capacity for digital terrestrial TV channels. Whilst securing channel sales has taken longer than initially anticipated, a number of trials are expected to be converted into contracts in the forthcoming year.

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

Arqiva was proud to receive the 2014 Independent Teleport Operator of the Year award from the World Teleport Association. We are now a four-time recipient of this respected award.

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

Arqiva continues to work closely with the MNOs as they seek to reduce their costs by network consolidation. The Group is a key supplier in this market, with long term contracts with all the UK MNOs. We aim to ensure we are at the heart of the mobile operators' consolidation plans. Growth in smartphones and mobile enabled devices along with faster download speeds has led to a significant increase in the demand for mobile data services and hence the demand for WiFi, and in the future, small cells.

Group key performance indicators ('KPIs')

The Group and Company's performance is measured using both financial and non-financial KPIs. These non-financial KPIs below relate to the Group. The financial KPI's for the Company are discussed on page 13.

Non-Financial KPIs

Significant KPIs for the Group are the level of network availability across both TV and radio infrastructure. When significant engineering projects are underway, such as DSO and smart metering, the measurement of milestones on these contracts also forms part of our KPIs.

Objective	KPI	Definition
Consistently high service levels provided to our customers, including service provided on third party multiplexes	Network Availability Target 99.94%	The total annual level of network availability across both TV and radio infrastructure as a % across all multiplexes
Delivery on our customer promises	Milestones on key project deliverables	KPIs on certain of our significant engineering projects are outlined below.

Non-Financial KPI trend data is shown below:

KPI	30 June 2014	30 June 2013	30 June 2012
Own TV Multiplex Network Availability	99.95%	99.99%	99.99%
Combined Network Availability	99.95%	99.99%	99.98%

Delivery on our customer promises (project milestones):

The projects below represent key customer projects at both Group and Company level which began in the financial year:

Project	Target	Actual at 30 June 2014	Status
Local TV			
- Build of 23 regional sites	June 2014	Complete	Achieved
- Final site for completion in FY15 in line with customer requirements	Autumn 2014		On track
Smart Metering (M2M) – Communications Service Provider for the North ('CSP North')			
- Solution Design Complete	February 2014	Complete	Achieved
- Service Management Framework	June 2014	Complete	Achieved
- 40% Network Coverage	April 2015		On track
- User Acceptance Testing Complete	July 2015		On track
- 80% Network Coverage	October 2015		On track
- 97.75% Network Coverage	January 2017		On track
- 99.5% Network Coverage	June 2020		On track
Subject to any contractual changes to timetable at the request of the Data and Communications Company ('DCC').			

Analysis of the future development of the business

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

Strategic priorities

Our key **strategic priorities** are:

- Growing a financially successful business;
- Helping our customers prosper and succeed; and
- Being a great place to work.

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

- Maximising the value of each of the strong core businesses – leveraging existing resources and infrastructure to increase turnover and cash flow through offering additional services to existing and new customers,
- Investing in the future of Digital Terrestrial Television ('DTT') by supporting ventures such as YouView, video on-demand services and the high definition capability on Freeview,
- Focusing on higher margin products and exiting low margin markets e.g. the run-down of the wholesale satellite business and the exit of the outside broadcast and digital cinema businesses in our satellite business unit;
- Improving processes to be more efficient and customer focused, and to optimise operational cost and efficiency;
- Putting the customer first in all that we do and measuring our success by regular feedback, including the annual customer survey; and
- Investing in our people, including maintaining our Investors in People 'Gold Award'.

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

- New uses for existing infrastructure expertise such as;
  - Smart Metering
  - Local TV
  - the Government funded Mobile Infrastructure Project
  - WiFi infrastructure
- Additional revenues from new capacity for digital terrestrial television channels driven by advancements in compression technology (i.e. increasing the number of video streams or channels per multiplex);
- Switch Over from analogue radio to DAB;
- Increasing demand for wireless site capacity driven by the trend in increasing mobile data usage and continued roll out of 3G and 4G mobile networks; and
- The acquisition of Capablue Limited, which is a provider of end-to-end software development and multiscreen solutions to broadcasters, TV platforms and brands.

We continue to support and sponsor key industry initiatives designed to strengthen the media and communications sector. We have remained the headline sponsors of the British Academy of Film & Television Arts ('BAFTA') Television Awards since 2012. We also continue our long-term sponsorship of the Arqiva Commercial Radio Awards, the UK's biggest annual celebration of commercial radio.

Risk management

Principal risks and uncertainties facing the business

The Group maintains a corporate risk register which is reported to, and reviewed by, senior management and the Directors. A selection of the key business risks affecting Arqiva and the Company are set out below together with a summary of the mitigating actions; in addition Arqiva has long term contracts in place with a number of significant blue chip customers which support long term financial stability.

Business Unit	Description of risk/uncertainty	Mitigation of risk/uncertainty
All	Major infrastructure network or satellite failure causing multiple platform failures or service outages.	There is a dedicated Business Continuity Working Group which meets on a regular basis to review plans and procedures in place and the provision of disaster recovery services. Arqiva's business continuity plans are tested to ensure that they are robust and fit for purpose and that there is the right skills mix and knowledge within the Group.
Terrestrial Broadcast and Digital Platforms	International decisions regarding the future use of the 600 / 700MHz spectrum for DTT. The World Radio Conference 2012 ('WRC-12') signalled that countries may clear the 700 MHz band of DTT in preparation for future use by Mobile Broadband. This would result in the 600MHz spectrum cleared during DSO having to be used for existing terrestrial TV.	In November 2012, Ofcom published an Ultra High Frequency ('UHF') Strategy Statement confirming its intention to release 700 MHz for Mobile Broadband use whilst ensuring 600 MHz band accessibility for DTT, should the change in 700Mhz go ahead post 2018. Ofcom published a consultation for the interim use of the 600 MHz band for temporary DTT multiplexes, for which Arqiva was the successful applicant. The Group continues to engage with Ofcom and the broadcasters to ensure that Arqiva and the television industry's needs are fully considered and sufficient spectrum is available for DTT. In addition, the Group are actively engaged in the feasibility study for the potential use of 700MHz clearance, working in partnership with Ofcom.
Terrestrial Broadcast and Digital Platforms	Interference to terrestrial broadcast transmissions with the launch of 4G services in 800 MHz The introduction of White Space services in the UHF band presents the risk of additional interference to DTT. There is possible risk that the DTT platform may suffer some churn to other platforms.	As part of Arqiva's engagement with Ofcom and the broadcasters, we will ensure that Arqiva and the television industry's needs are fully considered as part of these spectrum planning discussions. In addition, the Group has an open and regular dialogue with at800 (a trademark of Digital Mobile Spectrum Limited ('DMSL') which is funded by and represents the UK mobile operators who will be launching 4G mobile services at 800 MHz). Arqiva is actively involved in trials and discussions around mitigating any such potential interference.
Terrestrial Broadcast, Satellite and Media, and Digital Platforms	Developments in alternative broadcast technologies, such as broadband internet connected TV, which competes against the Group's DTT transmission business.	DTT retains the largest share of broadcast transmission in the UK, and Connected TV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition the Group has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its development in Connect TV – a hybrid Internet Protocol Television ('IPTV')/DTT offering.
Telecoms	The level of demand for wireless communications and impact on demand for access to the Group's towers.	Significant amounts of capital expenditure have been invested in developing the wireless communications infrastructure in the UK. The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand. The Group continues to closely monitor the development of wireless technology and network deployment activities by MNOs.
Telecoms	Network sharing activity amongst the MNOs.	Arqiva has secured long term contracts with all of the major UK MNOs, including Everything Everywhere ('EE'), Telefonica and Vodafone. Arqiva's sites are predominantly located in rural and suburban areas. Their location exclusivity and restrictive planning regulations create significant barriers to entry. Arqiva seeks to protect itself by negotiating long term contracts where it makes itself the focal point for consolidation, and facilitates the MNOs consolidation in return for long term revenue certainty.

Smart Metering (M2M)	Delay in performance of our contractual obligations brought about by other stakeholders increasing our costs beyond estimated contingencies. Future bids are not won leaving an under-utilisation of our technology.	Our contracts are worded such that Arqiva's risk is mitigated through contractual reimbursements. Our contracts are structured into milestones such that we are accountable to our stakeholders for our contractual obligations and our performance is managed accordingly. We have recognised that our technology is highly adaptable and network capability is unrivalled and therefore should future bids not be won, alternative customers and markets will be targeted.
All	Bad publicity damages Arqiva's reputation 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.	Arqiva carefully engages with its stakeholders 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. We have achieved and maintained ISO27001 certification regarding information security and hold period reviews of the security environment. We have 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.

Corporate responsibility

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

We believe we have a role to play in shaping our dynamic industry. It's what we've been doing for the last 90 years.

We actively engage with government, trade associations and other industry players as we know that to keep our customers connected we must continually work to identify and develop the ideas that will enable society's wireless digital future.

Our Purpose is the reason why our business exists and is the difference we are trying to make for our customers – our purpose is:

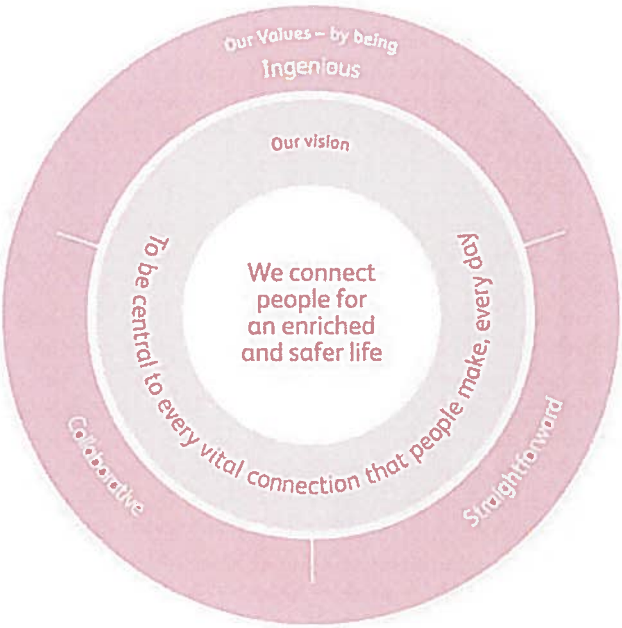
*We **connect** people for an enriched and safer life*

Our Vision is the statement of our ambition for the future – our vision is:

*To be central to every vital **connection** people make, every day*

Our Values sit at the heart of who we are and what makes us special. We believe in three core values where we aim to be:

Ingenious *Straightforward* *Collaborative*



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

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

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

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

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

Arqiva acted successfully as the Communications Partner for the WWTW South Pole Allied Challenge in December 2013. The three teams arrived at the South Pole on Friday 13 December – a day considered unlucky for some, but a monumental day for all the team members involved. Arqiva are continuing their relationship with WWTW, and had two teams entering the Cumbrian Challenge 2014 in June - a 33km walk in and around Grasmere. In total, the teams raised over £6,000, with additional company matched funding.

We are supporting The Prince's Trust fundraising efforts, such as the Palace to Palace bike ride in October 2014, our second year of involvement, where up to 4,000 people will ride from Buckingham Palace to Windsor Castle. Arqiva is also a patron of The Prince's Trust. The Prince's Trust focuses its efforts on helping young people with practical and financial support, and developing key workplace skills.

The work of The Prince's Trust fits perfectly with our purpose, vision and values as its key aim is to keep young people connected with society. As part of our Corporate Responsibility strategy, we are working with The Prince's Trust to help them run programmes that encourage young people to take responsibility for themselves and help them build the life they choose rather than the one they've found themselves with.

In addition, the help it provides includes training, personal development, business start-up support, mentoring and advice. It is ingenious in the way that it has changed young people's lives, not through condescension and free hand-outs, but by giving them the means to help themselves. Likewise, our own Apprentice Programme recognises the value that young people can make both to the workplace and society as a whole.

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

Employees are supported to take part in 'Give and Gain Day' volunteering activities whereby they give their time to local charities and organisations for special projects which has included numerous activities such as upgrading the garden area at a local school. Over 250 employees took part.

Global Corporate Challenge ('GCC') is a wellness programme that encourages employees to be active over a 100 day period, using pedometers to track daily steps. This year, Arqiva has 23 teams (161 employees) participating from a number of different locations including a US team. They will be joined by over 57,000 other teams from 1,500 of the world's largest employers. Arqiva are committed to supporting musculoskeletal health, and this challenge is a great activity to strengthen muscles and bones, and lower risk of injury.

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 aims to reduce any negative impacts through active environment management. The Group operates an environmental management system which is accredited to the international standards ISO14001 and ISO50001, the latter being the voluntary International Standard for "Energy Management Systems".

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

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

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

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

We have achieved year on year energy consumption reductions and continue to strive in our efforts to make further reductions. The business aims to reduce energy consumption by 1% per annum, and as at June 2014, a 1.9% reduction has been achieved against prior year.

Employees
The average number of persons employed by the Group was 2,002 (2013: 1,904) (Company: 1,953 (2013: 1,865)). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

Last year Arqiva received an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business. Arqiva are committed to retaining this award, and will next be assessed in 2016.

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

Significant emphasis is placed on employee communication. The Group intranet 'Connect' makes information available to employees on all matters including company performance, growth, and issues affecting our industry. The refreshed values "ingenious, straightforward, and collaborative – Always", continue to form the fundamental basis of all Arqiva business conduct and communication.

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

We want all our employees to benefit from our success and growth as a business. Our annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with our values. The scheme takes into account the targets that have been set by the Group and then multiplies this by a personal performance rating. The Group must achieve a minimum EBITDA performance before a bonus becomes payable which is then calculated based upon the Group financial KPIs of EBITDA, revenue and operating cash flow. The bonus payment for the 2014 financial year was made in September 2014.

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 Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

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

Last year, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification for all platforms and services (end to end) for all of its UK locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and we can confidently demonstrate our security-conscious culture and compliance with this internationally recognised standard. There are two physical security audits and two internal security audits conducted every month in order to maintain our certification and since certification, we have passed every security audit.

The Company's operations and business environment

Terrestrial Broadcast
The Company previously provided around half of the UK's national terrestrial TV infrastructure and transmission for analogue TV services, with the other half provided by Arqiva Services Limited. Following DSO, the Company is the sole provider of digital terrestrial TV transmission services for all UK terrestrial TV broadcasters. The Company continues to maintain and invest in its terrestrial TV infrastructure but is also reliant on the use of the infrastructure held within Arqiva Services Limited. The Company's customer revenues within Terrestrial Broadcast have therefore grown following DSO and the associated cost base for the Company has increased primarily due to intercompany trading within the Group for the use of this infrastructure.

Satellite and Media
The Company provides the majority of the Group's services within the Satellite and Media business unit. The Company owns and operates teleports at key locations in the UK and provides related services to its customer base. Other Group companies provide similar services in certain overseas territories such as the US.

Telecoms
The Company holds a significant portfolio of the Group's Telecoms sites and typically contracts with customers as part of a combined contract with other companies within the Group to enable our customers to make use of the Group's network of wireless communication sites which now totals circa 8,600 active licensed sites and makes the Group the leading independent site share provider.

Smart Metering M2M
The Arqiva entity that won the contract for smart metering is a newly established company, Arqiva Smart Metering Limited ('ASML') that sits within the Group. ASML has contracted with Arqiva Limited 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 by meters inside the 9.3m properties) will be performed by ASML. Accordingly, the Company is expected to benefit from a majority, but not all, of the smart metering contract revenue through charges levied to ASML.

The Company's key performance indicators ('KPIs')
The financial KPIs of the company, and financial results, are discussed below.

For the twelve months ended 30 June 2014, turnover for the Company was £559.6m, an increase of 6.7% from £524.3m in the prior year. The Company has generated increasing revenues from its Terrestrial Broadcast business unit following DSO with the provision of all UK digital terrestrial TV transmissions. 2014 saw the first recognition of revenue for the smart metering solution design (for which the cash will be collected in later years as per the contract terms), and also saw growth within Telecoms related to new business areas such as WiFi and the Mobile Infrastructure Project ('MIP'), along with some significant installation services activity in the final quarter. This growth was partially offset by a significant reduction in project revenues within Terrestrial Broadcast, particularly for 800MHz clearance, which is now complete, and sales in Satellite and Media where the Company has reduced activity or exited from some low margin businesses.

EBITDA for the Company was £275.9m, representing a 1.4% increase from £272.0m primarily due to the revenue growth achieved by the Company in the year although the EBITDA growth is lower than the revenue growth seen due in large part to the high margin Terrestrial Broadcast projects in prior years which are now complete. Additional gross profit generated was partially offset due to the investment in resources required to deliver our growth initiatives and support the roll out of new products and services.

Profit on ordinary activities before interest and taxation for the Company was £193.9m, representing a 12.0% increase from £173.1m in the prior year driven by the improvement in EBITDA and a reduction in exceptional costs (see below), partially offset by the increased depreciation expense following investment in the Company's infrastructure assets in recent years.

The Company recognised £7.4m (2013: £24.4m) of exceptional costs in the year. This was primarily due to reorganisation and severance costs incurred in the year following the reorganisation of the Group's business units (see note 4 for further details) while the prior year included significant bid costs for the Smart Metering contract.

Our **key performance indicators** ('KPIs') reflect both financial performance, the level of service provided to our customers, and progress on major customer projects

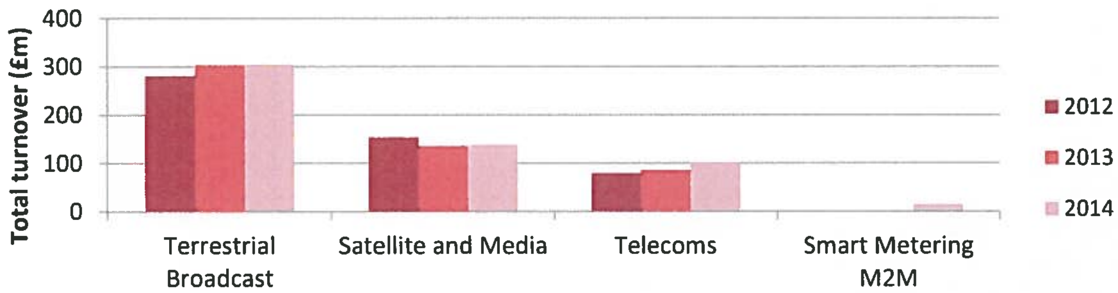
Financial KPIs

Company Objective	KPI	Definition
Success in bidding for key contracts to support our growth agenda	Revenue	Net of value added tax, and in accordance with amounts presented as turnover in our financial statements.
Increased level of business profitability (growth in revenue, and efficient management of cost)	EBITDA	Operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items but after non-interest finance costs (principally bank charges).

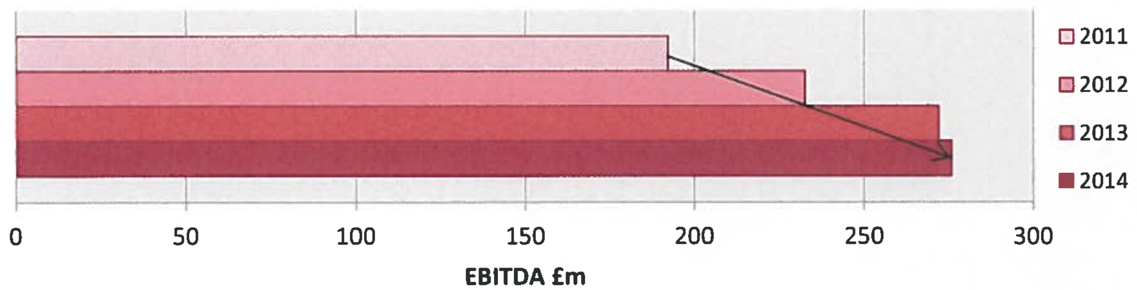
Financial KPI trend data for the last four financial years is shown below:

KPI	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Revenue	£559.6m	£524.3m	£512.9m	£461.6m
EBITDA	£275.9m	£272.0m	£232.4m	£192.2m

The business unit revenue levels are shown below (the Smart Metering (M2M) business unit was newly created during 2014). The 2011 comparative has been excluded from the graphic below as the Group underwent significant re-alignment of its business units during the year ended 30 June 2012 and is therefore not comparable on a business unit basis:



Our EBITDA growth is shown below and represents a 3-year annualised growth rate of 12.8% since 2011:



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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m	Year ended 30 June 2012 £'m	Year ended 30 June 2011 £'m
Operating profit before exceptional items	200.6	197.1	174.5	128.0
Depreciation of fixed assets	72.2	67.0	52.1	58.6
Amortisation	4.2	4.3	5.7	5.6
Other (including (profit) / loss on disposal of fixed assets and non-interest finance costs principally bank charges)	(1.1)	3.6	0.2	-
EBITDA	**275.9**	**272.0**	**232.5**	**192.2**

Acquisitions and disposals
The acquisition of Capablue Limited took place on 6 February 2014. Capablue Limited is a provider of end-to-end software development and multiscreen solutions to broadcasters, TV platforms and brands. These solutions enable content to be distributed across the internet, allowing content providers to distribute video content to any device or screen (including smart mobile phones, tablets and games consoles). With the rapid growth of both high-speed broadband and internet-connected devices, significant opportunities are emerging to find new, complementary ways to deliver and enhance content for consumers. This acquisition uniquely positions Arqiva as the only provider with the capability to offer linear and non-linear video distribution across DTT, Satellite Direct to Home, and via the Internet. Following this acquisition the Group has been proceeding with integration and developing new opportunities.

In April 2014 the Company sold its digital cinema delivery network in the UK and Europe to a French-owned digital cinema specialist, YMAGIS, to focus on other higher margin growth areas. The Digital Cinema business previously generated circa £1.0m per annum of revenues in the Satellite and Media business unit.

Major contract wins and developments
In September 2013 Arqiva signed a 15 year contract with the Data and Communications Company to provide smart metering communications for approximately 9.3 million homes and small businesses in Scotland and northern England. The contract became effective in December 2013 on completion of financing commitments specific to the contract. Work is underway to build the network required to deliver the service, and all DCC contract milestones due were achieved as at 30 June 2014.

Local TV is a government initiative, implemented by Ofcom with oversight from the BBC Trust, to establish local television in the UK. On 29 July 2013, Comux, the Multiplex operator licensee, awarded the Company a 12-year contract, under which we will be responsible for building the sustainable infrastructure and subsequently delivering Local TV across 19 high population areas of the UK by providing the primary transmission services, including network access and managed transmission. The first station went live in November 2013 in Grimsby. Local TV in London was launched on 31 March 2014.

In August 2013, the Company won a tender for the provision of all BBC radio transmission services under the BBC New Radio Agreement ('BBC NRA'). Under this contract, the Group will build a Digital Audio Broadcast ('DAB') infrastructure taking the BBC's national DAB network coverage to 97% of the UK population by the end of 2015. This 17 year contract will make a significant contribution to our overall revenue and is a great example of maximising value for existing customers.

In June 2014, Arqiva agreed a 10 year site share contract with Cornerstone Telecommunications Infrastructure Ltd ('CTIL') and its parents Telefonica O2 and Vodafone. The joint venture between Telefonica O2 and Vodafone pools both companies' network infrastructure and will create a shared grid of 18,500 masts under the CTIL umbrella, which will represent an increase of more than 40% in points of presence for each operator.

Other significant contract wins and developments for the Group are included within the ABHL consolidated financial statements.

Financing Structure
The Company is primarily funded by intercompany funding of £511.7m (2013: £464.3m) however the Company also holds assets under finance lease arrangements with third parties of £14.0m (2013: £14.5m). Further details are given in notes 16 and 17 to the financial statements.

Going concern
The Company adopts the going concern basis in preparing its financial statements based on future profit, cash flows and its net asset position (2014: £872.9m; 2013: £668.8m), which lead the Directors of the Company to be confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

Taxation

The Company has recorded a corporation tax credit for the year ended 30 June 2014 of £4.3m (2013: £11.8m). This is primarily due to capital allowances arising as a result of the significant investment in UK infrastructure. The capital allowances result in a tax deduction spread over a period of time defined by HMRC in order to encourage such investment. Our approach to tax is to ensure compliance with all our legal and statutory obligations and how the legislators intended the laws to be followed. We are committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which we operate. The total contribution to UK tax receipts including business rates, tax and NI paid by both Arqiva and employees, totalled £78.6m for the financial year.

This report was approved by the Board of Directors on 13 October 2014 and signed on its behalf by:

Peter Shore
Chairman

13 October 2014

Directors' report and statement of Directors' responsibilities

The Directors of Arqiva Limited ('AL'), registered company number 02487597, ('the Company') submit the annual report and audited financial statements ('financial statements') in respect of the year ended 30 June 2014.

The Company operates within the Arqiva Broadcast Holdings Limited ('ABHL') group ('the Group') of companies.

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

Unless otherwise stated the report refers to the context of the ABHL Group of companies at which level the risks and policies of the Company are monitored.

Financial risk management

The principal risks and uncertainties of the Group have been outlined in the Strategic Report. 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 price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

A selection of the key financial risks affecting the Group are set out below together with a summary of the mitigating actions.

Business Unit	Description of risk/uncertainty	Mitigation of risk/uncertainty
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 up to 18 months in advance. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Credit risk	The Group is exposed to credit risk on customer receivables. The Group is exposed to counterparty risks in its Treasury 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 uncollectable debts. Details of the debt maturity profile are provided in notes 16 and 17. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.
Liquidity risk	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 2014 the Group had £100m available working capital facilities and £68.9m cash available to cover short term cash flow timing differences if required, together with a £400m capital expenditure facility. In addition, the Group has £200m of liquidity facilities available to cover senior interest payments if required.

Financing risk	The ABHL Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms.	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings (from Standard & Poors and Fitch) which reflects our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining an active dialogue with lenders and investors, maintaining debt with a variety of medium and long term maturities so that over time we do not have a significant concentration of debt due for refinancing in any given year, and are aiming to refinance debt well in advance of the maturity date.
	Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Interest rate risk	Exposure to interest rate risk due to the variable rate bank debt held.	The Group uses interest rate and inflation swaps 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. It currently has fixed rate hedging, split between interest rate swaps and inflation swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed or variable 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. Details of the interest rate profile of the Group's liabilities are provided in note 17 of the ABHL financial statements.
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 risk 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, forward foreign exchange contracts were used to fix the exchange rate for certain overseas revenue contracts, and cross currency swaps were utilised to fix the exchange rate in relation to US Dollar denominated Senior bonds. Details of the cross currency swaps are provided in note 17 of the ABHL financial statements.

Audit Committee

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

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

- the recently published IFRS 15 'Revenue from Customer Contracts' Standard, and the implications of this new Standard on both new and existing Arqiva contracts;
- the joint IASB and FASB exposure draft on leases which continues to be evolving, with comments having been received by September 2013. Redeliberation is expected to continue in the third and fourth quarters of 2014;
- the continued opportunity presented as part of the Department for Business, Innovation and Skills subsidiary company audit exemption provisions which were first applied in 2013; and
- the future of UK Generally Accepted Accounting Practice ('UK GAAP') or possible conversion to International Financial Reporting Standards ('IFRS'), the changes under which would apply to the Group from the 30 June 2016 year end, with the opening balance sheet position being 1 July 2014.

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

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 12 of the Strategic report.

Creditor payment policy

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

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

Research and development

The Group performs research and development into new products and technology, the costs of which are capitalised in accordance with the Group's accounting policy where they meet the criteria for capitalisation under UK GAAP. In the Company the research costs expensed in the year were £2.3m (2013: £1.9m). In addition, the Company carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £3.6m (2013: £15.6m).

Development costs incurred as part of capital expenditure projects which support customer contracts, are included with the total project spend within tangible fixed assets. The Group's capital expenditure in the year was £183.8m (2013: £137.6m) and the Company's was £167.4m (2013: £130.3m) and includes capitalised labour of £43.3m (2013: £41.7m). Other development costs would be capitalised within intangible fixed assets. In the year, development costs capitalised in the Company total £0.8m (2013: £nil), with amortisation of £nil (2013: £nil) charged against such capitalised development costs.

Overseas branches

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

Post balance sheet events

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

Dividends and transfers to reserves

The Company has declared no dividends in the year (2013: £nil). The profit for the year of £208.3m (2013: £181.0m) was transferred to reserves.

Going concern

The Company is in a net asset position, and adopts the going concern basis in preparing its financial statements. Further detail is contained in the Strategic report and note 1 to the financial statements.

Future developments

The Group shall continue to invest in its business units in accordance with the agenda for growth. Further detail is contained within the strategic report.

The Company shall continue to remain an operating company within the Group.

Ownership and Directors

The Company's immediate parent company is Arqiva Holdings Limited ('AHL') and its ultimate UK parent undertaking is ABHL.

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

• Peter Shore	
• Christian Seymour	
• Alain Carrier	
• Edward Beckley	
• Damian Walsh	
• Peter Douglas	
• John Cresswell	
• Philip Moses	
• Clive Ansell	
• Robert Wall	
• Jeremy Beeton	(resigned 9 June 2014)
• Daniel Fetter	
• Mark Braithwaite	(appointed 10 June 2014)
• Adrianus Wamsteker (alternate)	(resigned 29 August 2014)
• Andreas Kottering (alternate)	
• Marc Perusat (alternate)	
• Nathan Luckey (alternate)	
• Prakul Kaushiva (alternate)	

Michael Giles 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.

Statement of Directors' responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

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

13 October 2014

Independent Auditors' report to the Members of Arqiva Limited

Report on the financial statements

Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The financial statements, which are prepared by Arqiva Limited, comprise:

- the balance sheet as at 30 June 2014;
- the profit and loss account, the statement of total recognised gains and losses and the note of historical profits and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs' (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Alan Kinnear (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

14 October 2014

Profit and loss account

	Note	Year ended 30 June 2014			Year ended 30 June 2013		
		Pre exceptional items	Exceptional items	Total	Pre exceptional items	Exceptional items	Total
		£'m	£'m	£'m	£'m	£'m	£'m
Continuing operations							
Turnover	2	559.6	-	559.6	524.3	-	524.3
Cost of sales		(211.1)	-	(211.1)	(191.1)	-	(191.1)
Gross profit		348.5	-	**348.5**	333.2	-	**333.2**
Depreciation		(72.2)	-	(72.2)	(67.0)	-	(67.0)
Amortisation		(4.2)	-	(4.2)	(4.3)	-	(4.3)
Other administrative expenses		(71.5)	(7.4)	(78.9)	(64.8)	(24.4)	(89.2)
Total administrative expenses		(147.9)	(7.4)	**(155.3)**	(136.1)	(24.4)	**(160.5)**
Operating profit	3	200.6	(7.4)	**193.2**	197.1	(24.4)	**172.7**
Income from shares in group undertakings	13	0.7	-	0.7	0.4	-	0.4
Profit on ordinary activities before interest		201.3	(7.4)	**193.9**	197.5	(24.4)	**173.1**
Interest receivable and similar income	7	12.5	-	12.5	1.0	-	1.0
Interest payable and similar charges	8	(2.4)	-	(2.4)	(4.9)	-	(4.9)
Profit on ordinary activities before taxation		211.4	(7.4)	**204.0**	193.6	(24.4)	**169.2**
Tax on profit on ordinary activities	9			4.3			11.8
Profit for the financial year	20,22			**208.3**			**181.0**

Balance sheet

	Note	30 June 2014 £'m	30 June 2013 £'m
Fixed assets			
Intangible assets	11	43.5	45.1
Tangible assets	12	1,002.8	944.2
Investments	13	97.2	94.0
		1,143.5	**1,083.3**
Current assets			
External debtors		186.1	197.0
Amounts owed by Group undertakings		303.7	46.1
Debtors	14	489.8	243.1
Cash at bank and in hand	15	48.8	80.5
		538.6	**323.6**
External creditors: amounts falling due within one year		(253.9)	(230.1)
Amounts owed to Group undertakings: amounts falling due within one year		(506.4)	(459.0)
Creditors: amounts falling due within one year	16	(760.3)	(689.1)
Net current liabilities		**(221.7)**	**(365.5)**
Total assets less current liabilities		**921.8**	**717.8**
Creditors: amounts falling due after more than one year	17	(29.3)	(27.2)
Provisions for liabilities and charges	18	(23.4)	(19.5)
Net assets excluding pension surplus / (deficit)		**869.1**	**671.1**
Pension surplus / (deficit)	25	3.8	(2.3)
Net assets including pension surplus / (deficit)		**872.9**	**668.8**
Capital and reserves			
Share capital	19	30.0	30.0
Share premium account	21	90.8	90.8
Revaluation reserve	21	155.2	157.2
Capital reserve	21	13.4	13.4
Profit and loss reserve	20	583.5	377.4
Total shareholders' funds	22	**872.9**	**668.8**

The accounting policies and notes on pages 28 to 49 form part of these financial statements.

These financial statements were approved by the Board of Directors on 13 October 2014 and were signed on its behalf by:

Peter Shore - Director

Statement of total recognised gains and losses

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Profit for the financial year	208.3	181.0
Actuarial loss on pension scheme (See note 25)	(5.3)	(0.5)
Movement on deferred tax relating to pension scheme	1.1	0.1
Total recognised gains and losses for the year	**204.1**	**180.6**

Note of historical cost profits and losses

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Reported profit on ordinary activities before taxation	204.0	169.2
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2.0	3.8
Historical cost profit on ordinary activities before taxation	**206.0**	**173.0**
Tax on historical cost profit on ordinary activities	4.3	11.8
Historical cost profit retained after taxation	**210.3**	**184.8**

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, under the historical cost convention, modified by the revaluation of certain tangible fixed assets.

(b) Going concern

Despite having net current liabilities, the Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources 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.

(c) Exemption from consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of AHL, a company registered in England and Wales.

(d) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 'Cash flow statements (revised 1996)' not to prepare a cash flow statement, as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking, ABHL, which prepares a consolidated cash flow statement.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition) or historic revalued amount, less accumulated depreciation and any provision for impairment.

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

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful economic lives. The useful economic lives ('UEL') of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets.

The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Company's circumstances.

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

Freehold land is not depreciated.

The Company manages all assets under construction on behalf of the Group. These assets are not depreciated until construction is complete and the asset is capable of operating in the manner intended by the Group in accordance with FRS 15. Upon completion, such assets are transferred to other Group companies where appropriate.

(f) Turnover

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

(g) Intangible fixed assets and amortisation

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

<u>Research and Development costs</u>
Development costs incurred to produce new, or substantially improved, products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development' and are amortised from the commencement of service over the life of the relevant contract. Research costs, experimental or theoretical work undertaken which does not constitute development, are expensed as incurred.

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

<u>Purchased goodwill</u>
Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Company capitalises costs associated with the acquisition of purchased goodwill.

<u>Access rights</u>
Access rights include customer contracts and customer relationships and are stated at original purchase cost and amortised on a straight line basis over their expected useful life.

(h) Fixed asset investments

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

(i) 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 contracted rate if applicable and any exchange difference arising are taken to the profit and loss account. Transactions in the profit and loss account of overseas operations are translated using an average exchange rate. Exchange differences on translation of overseas branches are recognised through the 'Statement of group total recognised gains and losses'.

(j) Leasing commitments

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

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

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

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

(k) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

(l) Post retirement benefits

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

Defined benefit schemes
Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities. Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax.

(m) Provisions

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

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

(n) Cash at bank and in hand

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

(o) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits, finance leases and inter-company balances respectively.

(p) Derivative financial instruments

The Company utilises forward purchase contracts for foreign currency transactions, the changes in the fair value of such derivatives are not recognised, and the gain or loss on settlement is taken to the profit and loss account.

2 Turnover and segmental reporting

Turnover, which is stated net of value added tax, includes the value of charges made for transmission services, distribution services, products, facilities leasing, external network services to national and international telecommunication operators, other contracts, rents from properties and charges made under site sharing agreements.

Turnover is recognised as services are provided. Cash received or invoices raised in advance is taken to deferred income and recognised as turnover when service is provided. Where consideration received in advance is discounted reflecting a significant financing component it is reflected within turnover and interest payable and similar charges. Turnover recognised in advance of cash received or invoices raised is taken to accrued income.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed as a proportion of the total contract value.

The geographical split of turnover by destination is shown below. The Company has taken advantage of the exemption provided by SSAP 25 not to disclose turnover by origin, as this is disclosed within the financial statements of AHL, the parent Company.

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
UK	514.0	480.7
Continental Europe	19.3	25.9
Rest of world	26.3	17.7
Turnover	**559.6**	**524.3**

Segmental reporting

The Group has organised its business into five customer facing business units, supported by a Technology division and central corporate functions. This structure is used to provide the following segmental reporting in relation to Group turnover. Within the Company only four of these business units are relevant:

	Terrestrial Broadcast £'m	Satellite and Media £'m	Telecoms £'m	Smart Metering (M2M) £'m	**Total £'m**
Turnover for the year ended:					
30 June 2014	304.9	138.3	102.0	14.4	**559.6**
30 June 2013 (Restated *)	302.9	136.2	85.2	-	**524.3**

* The prior year comparative has been restated between business units to ensure comparability year on year. This restatement does not alter the total revenues previously reported.

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

Whilst management review directly attributable costs by each revenue generating business unit, the Directors are of the opinion that further disclosure would be seriously prejudicial to the Group.

3 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Depreciation of owned fixed assets	71.7	66.6
Depreciation of leased assets	0.5	0.4
Amortisation of intangible assets	0.8	1.0
Amortisation of goodwill	3.4	3.3
Operating lease rentals		
- Land, buildings and other infrastructure	13.5	10.7
- Plant and machinery	1.8	1.6
Management recharge to Group companies	(50.0)	(50.9)
Loss on disposal of tangible fixed assets	1.1	3.6
Foreign exchange losses / (gains)	0.7	(1.5)
Research costs	2.3	1.9

The Company has levied a management recharge, in respect of various staff costs and central facilities and support costs, to other trading entities within the Group. The management recharge to the Group companies is included within administrative expenses within the profit and loss account.

Services provided by the Auditors and network firms

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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Fees payable to Company Auditors for the audit of the Company financial statements	0.1	0.1

Fees paid to the Company's Auditors for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated Group financial statements of the ultimate UK parent undertaking, ABHL, disclose the non-audit fees on a consolidated basis.

4 Exceptional items

Profit on ordinary activities before taxation is stated after charging:

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Administrative expenses		
- Reorganisation and severance	(6.2)	(6.0)
- Corporate finance activities	(0.1)	(0.2)
- Contract bid costs relating to Smart Metering	-	(15.5)
- Other one off activities	(1.1)	(2.7)
Total exceptional items	**(7.4)**	**(24.4)**

Reorganisation and severance costs in the current and prior year primarily represent amounts incurred in relation to the organisational realignment completed during the year.

Corporate finance activities relate to early refinancing costs and the costs of employees working specifically on the refinancing process which have not been included within debt issue costs in line with UK GAAP.

Other one off activities includes costs relating to other business change projects, predominantly related to the divestment of our digital cinema delivery network.

The above amounts are deductible for the purpose of taxation. The aggregate tax impact of these items was a tax deduction of £1.7m (2013: a tax deduction of £5.8m).

5 Staff costs

The average monthly number of persons employed by the Company during the year was as follows:

	Group Year ended 30 June 2014	Restated Group Year ended 30 June 2013	Previously reported Group Year ended 30 June 2013
	Number	Number	Number
Broadcast and Media	-	-	160
Terrestrial Broadcast	550	487	-
Satellite and Media	312	334	-
Digital Platforms	37	35	23
Telecoms	365	350	243
Business Operations	-	-	1,095
Smart Metering	39	-	-
Technology and Corporate functions	650	659	344
Total staff numbers	**1,953**	**1,865**	**1,865**

During the year ended 30 June 2014, the Group completed an organisational realignment. As a result, the above disclosure includes a restatement of the comparative information for the year ended 30 June 2013.

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£'m	£'m
Wages and salaries	121.2	114.9
Social security costs	12.7	11.7
Other pension costs	10.1	10.0
Total staff costs	**144.0**	**136.6**

The Company has levied a management recharge in respect of various staff costs to other trading entities within the Group, see note 3.

6 Directors' emoluments

During the year four Directors (2013: four) were employees of Arqiva Limited, two of which were members of a defined contribution pension scheme (2013: two).

One of the Directors (2013: one) was a representative of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and certain other entities outside of the Group. It is possible to make an accurate apportionment of this Director's emoluments in respect of their service to the Group. Accordingly, this is taken into account in providing the following disclosure:

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Aggregate emoluments	2.6	0.7
Contributions to defined contribution pension schemes	0.1	0.1
Sums paid to third parties in respect of services	-	0.1
Total emoluments	**2.7**	**0.9**

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

Highest paid director

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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Aggregate emoluments	1.4	0.3
Contributions to defined contribution pension schemes	0.1	-
Total emoluments	**1.5**	**0.3**

7 Interest receivable and similar income

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Interest receivable from Group companies	10.8	0.5
Bank interest receivable	0.2	0.1
Other interest receivable	1.5	0.4
Total interest receivable	**12.5**	**1.0**

8 Interest payable and similar charges

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Bank charges	0.1	0.1
Interest payable to Group companies	-	2.2
Finance lease interest payable	1.1	1.1
Other interest payable	1.2	1.6
	2.4	5.0
Less: capitalised interest	-	(0.1)
Total interest payable	**2.4**	**4.9**

9 Tax on profit on ordinary activities

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
(a) Analysis of tax credit for the year		
Current tax		
Overseas tax	0.1	(0.1)
Total current tax	**0.1**	**(0.1)**
Deferred tax		
Origination and reversal of timing differences	(10.5)	(10.9)
Impact of rate change	3.4	0.7
Deferred tax on pension liability charged to profit and loss account	2.7	0.1
Adjustment in respect of prior year	-	(1.6)
Total deferred tax	**(4.4)**	**(11.7)**
Tax on profit on ordinary activities	**(4.3)**	**(11.8)**

(b) Factors affecting the current tax (credit) / charge for the year

The tax charge assessed for the year is different to the standard rate of tax in the UK of 22.5% (2013: 23.75%) The differences are explained below:

Profit on ordinary activities before taxation	204.0	169.2
Profit before taxation multiplied by standard rate of corporation tax in the United Kingdom of 22.5% (2013: 23.75%)	45.9	40.2
Expenses not deductible for tax purposes	0.5	0.6
Amortisation of goodwill	0.8	0.8
Depreciation in excess of capital allowances	11.4	11.6
Non-taxable income	(1.2)	(0.1)
Non-qualifying depreciation	4.5	4.0
Income from associates	(0.2)	(0.1)
Loss on disposal of fixed assets	0.3	0.9
Group relief receivable for nil consideration	(61.9)	(58.0)
Total current tax	**0.1**	**(0.1)**

The UK corporation tax rate was reduced from 23% to 21% effective from 1 April 2014. For the purpose of this tax reconciliation a blended tax rate of 22.5% has been used.

A reduced UK corporation tax rate of 20% has been substantively enacted in respect of future years (see note 14).

10 Dividends

Equity dividends on ordinary shares:

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Interim dividend paid of £nil (2013: £2.17 per share)	-	65.0
	-	**65.0**

11 Intangible assets

	Licences	Development costs	Access rights	Purchased goodwill	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
At 1 July 2013	3.6	0.9	7.0	67.9	79.4
Additions	1.8	0.8	-	-	2.6
At 30 June 2014	**5.4**	**1.7**	**7.0**	**67.9**	**82.0**
Accumulated amortisation					
At 1 July 2013	2.5	0.9	6.5	24.4	34.3
Charged in the year	0.3	-	0.5	3.4	4.2
At 30 June 2014	**2.8**	**0.9**	**7.0**	**27.8**	**38.5**
Net book value					
At 30 June 2014	**2.6**	**0.8**	**-**	**40.1**	**43.5**
At 30 June 2013	1.1	-	0.5	43.5	45.1

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

12 Tangible assets

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£'m	£'m	£'m	£'m	£'m
Cost or valuation					
At 1 July 2013*	158.8	70.0	1,005.4	193.0	1,427.2
Additions	1.5	-	9.8	156.1	167.4
Completion of AUC	5.3	5.6	172.8	(183.7)	-
Transfer to Group companies	-	-	(3.0)	(29.7)	(32.7)
Disposals	(0.3)	(0.1)	(40.1)	-	(40.5)
At 30 June 2014	**165.3**	**75.5**	**1,144.9**	**135.7**	**1,521.4**
Accumulated depreciation					
At 1 July 2013*	31.5	27.5	424.0	-	483.0
Charge for the year	2.0	2.4	67.8	-	72.2
Disposals	(0.3)	(0.1)	(36.2)	-	(36.6)
At 30 June 2014	**33.2**	**29.8**	**455.6**	**-**	**518.6**
Net book value					
At 30 June 2014	**132.1**	**45.7**	**689.3**	**135.7**	**1,002.8**
At 30 June 2013*	127.3	42.5	581.4	193.0	944.2

* Opening balances have been restated for reclassifications between categories as part of our continuing review of the Group's asset base. These reclassifications have no impact on the total cost, accumulated depreciation or net book value as previously reported.

The Company's fixed and other assets have been pledged as security under the terms of the Group's external debt facilities entered in to by the Company's parent undertakings (see note 24).

There were no borrowing costs capitalised during the year ended 30 June 2014. Borrowing costs relating to the DSO project were capitalised during the year ended 30 June 2013 of £0.2m at a capitalisation rate of 3.5%. The aggregate amount of finance costs included in the cost of tangible fixed assets totals £20.5m (2013: £20.5m).

Freehold land included above but not depreciated amounts to £78.9m (2013: £79.0m).

Short leasehold land and buildings held under finance leases, capitalised and included within fixed assets above:

	Land and buildings
	£'m
Cost	
At 1 July 2013 and 30 June 2014	10.9
Accumulated depreciation	
At 1 July 2013	(3.3)
Charge for the year	(0.5)
At 30 June 2014	(3.8)
Net book value	
At 30 June 2014	**7.1**
At 30 June 2013	7.6

These assets were last revalued on 31 January 2005.

If fixed assets were stated on a historical cost basis, the amounts would be:

	30 June 2014					30 June 2013				
	Freehold land and buildings	Leasehold buildings	Plant and equipment	AUC	Total	Freehold land and buildings	Leasehold buildings	Plant and equipment	AUC	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Cost	69.5	41.7	1,084.7	**135.7**	**1,331.6**	63.0	36.1	945.4	193.0	**1,237.5**
Accumulated depreciation	26.5	20.8	436.7	-	**484.0**	24.8	19.3	406.3	-	**450.4**
Net book value based on historical cost	**43.0**	**20.9**	**648.0**	**135.7**	**847.6**	**38.2**	**16.8**	**539.1**	**193.0**	**787.1**

13 Investments

	Investments in subsidiaries and joint ventures
	£'m
Cost	
At 1 July 2013	102.5
Additions	3.2
At 30 June 2014	**105.7**
Provision for impairment	
At 1 July 2013 and 30 June 2014	**8.5**
Net book value	
At 30 June 2014	**97.2**
At 30 June 2013	94.0

The Company received dividends of £0.4m from Arqiva SAS (2013: £nil), £nil from Arqiva SRL (2013: £0.4m) and £0.3m from YouView (2013: £nil) in the year.

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

Acquisitions

On 5 February 2014 the Company acquired 100% of the issued share capital of Capablue Limited for cash consideration. The fair value of the total consideration was £3.2m. The principal activity of the subsidiary acquired is the development of connectivity platforms for TV and video.

The Company has taken the exemption provided by section 410 of the Companies Act 2006 to disclose only the investments deemed to be materially significant. These (held directly unless stated) are shown below:

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva SAS	France	Transmission services	30 June	100%
Arqiva SRL	Italy	Transmission services	30 June	100%
Arqiva Inc	United States	Transmission services	30 June	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30 June	100%
Connect TV Limited	United Kingdom	Transmission services	30 June	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30 June	100%
Arqiva WiFi Limited (held indirectly)	United Kingdom	WiFi services	30 June	100%
NWP Street Limited (held indirectly)	United Kingdom	WiFi services	30 June	100%
Selective Media Limited (held indirectly)	United Kingdom	WiFi services	30 June	100%
Capablue Limited	United Kingdom	Connectivity infrastructure	30 June	100%
Joint venture				
Arts Alliance Media Investment Limited	United Kingdom	Digital cinema distribution	30 June	24.99%
YouView TV Limited	United Kingdom	Open source IPTV development	31 March	14.3%

14 Debtors

	30 June 2014 £'m	30 June 2013 £'m
Trade debtors	70.0	85.8
Amounts owed by Group undertakings	303.7	46.1
Amounts owed by Joint Ventures	0.3	0.1
Other debtors	7.6	4.7
Deferred tax asset	33.0	25.9
Prepayments and accrued income	75.2	80.5
Total debtors	**489.8**	**243.1**

Amounts owed by Group undertakings are unsecured. Interest has been charged on £252.2m at 9.50% in relation to structured loan balances, £16.7m at 9.50% in relation to trading and working capital loan balances and £34.8m at 0% in relation to trading and working capital loan balances (2013: £19.0m at 9.50% in relation to structured loan balances, £7.5m at 9.50% in relation to trading and workings capital loan balances and £19.6m at 0% in relation to trading and working capital loan balances).

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

Deferred tax asset	30 June 2014 Asset £'m	30 June 2013 Asset £'m
At 1 July	25.9	14.0
Credited to the profit and loss account	7.1	11.9
At 30 June	**33.0**	**25.9**
Accelerated capital allowances	32.3	25.1
Short term timing differences	0.7	0.8
Deferred tax asset	**33.0**	**25.9**

The deferred tax asset of £33.0m has been calculated based on the UK corporation tax rate of 20% (the rate substantively enacted at the balance sheet date). The recognised deferred tax asset is forecast to be utilised against future taxable profits forecast to arise in the Group.

No deferred tax has been recognised in respect of future tax on gains arising from the previous revaluation of fixed assets, as the Company is not committed to the disposal of the assets.

15 Cash at bank and in hand

	30 June 2014 £'m	30 June 2013 £'m
Cash at bank	13.8	9.6
Short term deposit	35.0	70.9
Total cash at bank and in hand	**48.8**	**80.5**

16 Creditors: amounts falling due within one year

	30 June 2014 £'m	30 June 2013 £'m
Trade creditors	75.0	67.4
Amounts owed to Group undertakings	506.4	459.0
Other taxes and social security costs	15.4	15.2
Other creditors	9.9	13.4
Accruals and deferred income	153.3	133.6
Finance lease	0.3	0.5
Total creditors: amounts falling due within one year	**760.3**	**689.1**

Amounts owed to Group undertakings are unsecured. Interest has been charged on £506.4m at 0% (2013: £459.0m at 0%).

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

17 Creditors: amounts falling due after more than one year

	30 June 2014 £'m	30 June 2013 £'m
Amounts owed to Group undertakings	5.3	5.3
Accruals and deferred income	10.3	7.9
Finance lease	13.7	14.0
Total creditors: amounts falling due after more than one year	**29.3**	**27.2**

Amounts owed to Group undertakings are unsecured, interest free and repayable in more than five years.

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

Maturity of financial liabilities
The total financial liabilities analysed below represent finance lease obligations.

Maturity of loans	30 June 2014 £'m	30 June 2013 £'m
Within one year	0.3	0.5
In more than one year, but not more than five years	1.7	1.5
In more than five years	12.0	12.5
	14.0	**14.5**

Finance leases

Future minimum payments under finance leases are as follows:

	30 June 2014 £'m	30 June 2013 £'m
Within one year	1.3	1.6
In more than one year, but not more than five years	5.6	5.5
After five years	17.9	19.3
Total gross payments	**24.8**	**26.4**
Less finance charges included above	(10.8)	(11.9)
Total finance leases	**14.0**	**14.5**

18 Provisions for liabilities and charges

	Decommissioning £'m	Onerous contracts £'m	Restructuring £'m	Total £'m
At 1 July 2013	16.5	0.5	2.5	19.5
Released to profit and loss account	(0.6)	-	-	(0.6)
Charged to profit and loss account	2.5	1.2	7.5	11.2
Changes relating to movements in the discounted amount	0.9	-	-	0.9
Utilised in the year	(0.1)	(0.5)	(7.0)	(7.6)
At 30 June 2014	**19.2**	**1.2**	**3.0**	**23.4**

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

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 20 years.

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

19 Share capital

	30 June 2014 £'m	30 June 2013 £'m
Allotted, called up and fully paid:		
30,000,201 (2013: 30,000,201) ordinary shares of £1 each	**30.0**	**30.0**

20 Profit and loss reserve

	£'m
At 1 July 2013	377.4
Transfer from the revaluation reserve	2.0
Actuarial loss on pension scheme	(5.3)
Movement on deferred tax relating to pension liability	1.1
Dividends paid	-
Profit for the financial year	208.3
At 30 June 2014	**583.5**

21 Other reserves

	Share premium account £'m	Revaluation reserve £'m	Capital reserve £'m	Total £'m
At 1 July 2013	90.8	157.2	13.4	261.4
Transfer to profit and loss account	-	(2.0)	-	(2.0)
At 30 June 2014	**90.8**	**155.2**	**13.4**	**259.4**

22 Reconciliation of movement in shareholders' funds

	30 June 2014 £'m	30 June 2013 £'m
Profit for the financial year	208.3	181.0
Dividends	-	(65.0)
Other recognised gains and losses relating to the year	(4.2)	(0.4)
Net increase in shareholders' funds	204.1	115.6
Opening shareholders' funds	668.8	553.2
Closing shareholders' funds	**872.9**	**668.8**

23 Commitments for expenditure

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

	30 June 2014 £'m	30 June 2013 £'m
Within one year	33.7	17.8
Within two to five years	10.7	-
Total capital commitments	**44.4**	**17.8**

Commitments due within one year include £17.5m in relation to the Smart Metering contract (2013: £nil). Commitments due within two to five years include £9.5m in relation to the Smart Metering contract (2013: £nil).

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

	30 June 2014 £'m	30 June 2013 £'m
Within one year	0.3	0.2
Later than one year but not later than five years	3.5	3.5
Later than five years	6.3	5.8
Total land, buildings and other infrastructure locations annual lease commitments	**10.1**	**9.5**

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

Other annual lease commitments in relation to transmission activities expiring:

	30 June 2014 £'m	30 June 2013 £'000
Within one year	0.4	0.7
Later than one year but not later than five years	0.9	0.8
Total other annual lease commitments	**1.3**	**1.5**

24 Contingent liabilities

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

25 Pension commitments

Defined benefit scheme

In the year to 30 June 2014, the Group operated one defined benefit scheme, sponsored by the Company. The assets of the scheme are held separately from those of the Company in trustee administered funds.

Triennial valuation

The triennial valuation of the Group's defined benefit pension obligations as at 30 June 2011, for actuarial funding purposes, had resulted in an assessed deficit of £17.4m. Gross plan liabilities at the valuation date were £130.5m compared to gross plan assets of £113.1m. The Company has agreed with the trustee to make deficit recovery payments into the Plan during 2013 and 2014, with one further payment due of £4.1m in July 2015. A new triennial valuation will be prepared as at 30 June 2014 in the coming months.

FRS 17 assumptions

The assumptions used for the scheme for the purpose of the FRS 17 accounting position as at the year end are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit / surplus of assets below / above the FRS 17 liabilities (which equals the gross pension liability / asset).

An actuarial valuation for the purpose of statutory reporting under FRS 17 was carried out at 30 June 2014 in consultation with an independent firm of consulting actuaries, Lane Clark & Peacock LLP. The principal assumptions made are:

	30 June 2014	30 June 2013
Price inflation (RPI)	3.30%	3.40%
Price inflation (CPI)	2.30%	2.40%
Discount rate	4.40%	4.80%
Pension increases (LPI with a minimum of 3%)	3.70%	3.70%
Salary growth	2.80%	3.40%
Life expectancy of a male age 60 (current pensioner)	26.8yrs	26.7yrs
Life expectancy of a male age 60 (future pensioner)	28.4yrs	28.3yrs

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

Asset distribution and long term rate of return expected

	30 June 2014 Expected return	30 June 2014 Fair value £'m	30 June 2013 Expected return	30 June 2013 Fair value £'m
Equities	7.20%	75.1	7.30%	80.0
Bonds	3.80%	93.4	3.95%	66.1
Cash	0.50%	5.9	0.50%	1.0
Total		**174.4**		**147.1**
Balance sheet				
Total fair value of assets		174.4		147.1
Present value of scheme liabilities		(169.7)		(150.1)
Gross pension asset/(liability)		4.7		(3.0)
Deferred tax (liability)/asset		(0.9)		0.7
Net pension asset/(liability)		**3.8**		**(2.3)**

Deficit contributions of £5.7m received on 30 June 2014 were held as cash at the year end and had not been invested in portfolio funds. This investment process was completed in July 2014.

25 Pension commitments (continued)

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

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

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

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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
1 July	150.1	131.3
Current service costs	4.6	4.7
Settlements	-	0.6
Contributions by employees	1.3	1.7
Interest cost	7.3	6.3
Benefits paid	(2.8)	(2.5)
Actuarial loss	9.2	8.0
30 June	**169.7**	**150.1**

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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
1 July	147.1	128.3
Expected return on scheme assets	8.8	6.7
Actuarial gain	3.9	7.5
Contributions by employer	16.1	5.4
Contributions by employees	1.3	1.7
Benefits paid	(2.8)	(2.5)
30 June	**174.4**	**147.1**

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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Deficit at 1 July	(3.0)	(3.0)
Current service costs	(4.6)	(4.7)
Settlements	-	(0.6)
Contributions	16.1	5.4
Other net finance income	1.5	0.4
Actuarial loss	(5.3)	(0.5)
Surplus/(Deficit) at 30 June	**4.7**	**(3.0)**

25 Pension commitments (continued)

The following amounts have been included within operating profit:

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Current services cost (employer only)	4.6	4.7
Settlements	-	0.6
Total operating charge	**4.6**	**5.3**

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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Expected return on pension scheme assets	8.8	6.7
Interest on post retirement liabilities	(7.3)	(6.3)
Net finance income	**1.5**	**0.4**

The actual return on scheme assets was a gain of £12.7m (2013: £14.2m).

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

	Year ended 30 June 2014 £'m	Year ended 30 June 2013 £'m
Actual return less expected return on scheme assets	3.9	7.5
Losses due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(9.2)	(8.0)
Actuarial loss recognised in the STRGL	**(5.3)**	**(0.5)**

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £20.8m (2013: £15.5m).

The history of experience gains and losses is:

	2014 £'m	2013 £'m	2012 £'m	2011 £'m	2010 £'m
Present value of scheme liabilities	(169.7)	(150.1)	(131.3)	(109.5)	(101.8)
Fair value of scheme assets	174.4	147.1	128.3	113.1	89.5
Surplus/(Deficit) on scheme	4.7	(3.0)	(3.0)	3.6	(12.3)
Actual return less expected return on scheme assets	3.9	7.5	(3.3)	10.6	7.6
Percentage of Scheme's assets	2%	5%	(3%)	9%	9%
Experience gains arising on scheme's liabilities	-	-	1.7	-	-
Percentage of the FRS 17 value of the scheme's liabilities	0%	0%	(1%)	0%	0%
Total amount recognised in the STRGL	(5.3)	(0.5)	(13.8)	12.5	(6.1)
Percentage of the FRS 17 value of the scheme's liabilities	3%	0%	11%	(11%)	6%

25 Pension commitments (continued)

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

Other pension schemes

The Company has operated a defined contribution scheme during the year, for those employees who are not members of the Defined Benefit scheme described above. Contributions payable in respect of this scheme for the year were £5.4m (2013: £4.6m). The assets of the scheme are held outside of the Group.

An amount of £1.0m (2013: £0.7m) is included in accruals being the outstanding contributions to the defined contribution scheme.

26 Related party disclosures

The Company has taken advantage of the exemptions available under FRS 8 'Related party disclosures' for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

All transactions with related parties are conducted under normal trading terms.

As at 30 June 2014, the amount outstanding from Arts Alliance Media Investment Limited, a joint venture company, including accrued interest was £0.3m (2013: £0.1m). This balance has increased with a further loan advanced during the year. Interest charged during the year was £22,000 at 12% (2013: £5,000 at 12%).

In 2014 the Company received a dividend from YouView TV Limited, a joint venture company, of £0.3m (2013: £nil).

The Company paid subscriptions of £3.4m (2013: £4.3m) to YouView TV Limited, a joint venture.

There are no other related party transactions.

27 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent company is AHL, which is the parent undertaking of the smallest group to consolidate these financial statements.

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

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

28 Controlling parties

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

ABHL is the parent company of the largest group to consolidate these financial statements.