Arqiva Broadcast Parent Limited
and
Arqiva Group Parent Limited

Financial Report

Six month period ended 31 December 2017

CONTENTS

Page

THIS FINANCIAL REPORT IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES. IT IS SOLELY FOR INFORMATION PURPOSES ONLY. THIS FINANCIAL REPORT DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS MATERIAL TO A PROSPECTIVE INVESTOR.

This document is not a prospectus for any securities or transaction. Investors should only subscribe for any securities on the basis of information in a relevant prospectus and not on the basis of any information provided herein. This document does not disclose all the risks and other significant issues related to an investment in any securities/transaction. Prior to transacting, potential investors should ensure that they fully understand the terms of any securities/transaction and any applicable risks.

This Financial Report has been prepared pursuant to Condition 4.5 of the Junior Notes (£600m of notes issued by Arqiva Broadcast Finance plc) and pursuant to Paragraph 5.1 and Paragraph 5.4 of Schedule 2 of the CTA and certain information reporting covenants of the Notes. The date of this Financial Report is 22 February 2018. Unless otherwise defined herein, capitalised terms have the meanings given in the final offering prospectus for the multicurrency programme for the issuance of Senior Notes dated 21 February 2013. This Financial Report has been prepared by the Group (Arqiva Broadcast Parent Limited, Arqiva Group Parent Limited and their subsidiaries) and may be amended and supplemented and may not be relied upon for the purposes of entering into any transaction. Although the Group has taken all reasonable care to ensure that the information herein is accurate and correct, neither of the Group, nor any of its respective directors, officers, employees, shareholders, affiliates, agents, advisers, other representatives (collectively, Representatives) makes any additional representation, warranty or undertaking, express or implied, as to the fairness, accuracy, completeness or correctness of the information or the opinions contained herein or any other material discussed in the Financial Report.

The financial information set forth in this Financial Report has been subjected to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row. Percentage figures included in this Financial Report have not been calculated on the basis of rounded figures but have been calculated on the basis of such amounts prior to rounding.

The views reflected herein are solely those of the Group and are subject to change without notice. All estimates, projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of the matters described herein and may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance. Certain analysis is presented herein and is intended solely for purposes of indicating a range of outcomes that may result from changes in market parameters. It is not intended to suggest that any outcome is more likely than another, and it does not include all possible outcomes or the range of possible outcomes, one of which may be that the investment value declines to zero.

FORWARD LOOKING STATEMENTS

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

The risks and uncertainties referred to above include:

- *actions or decisions by governmental and regulatory bodies, or changes in the regulatory framework in which the Group operates, which may impact the ability of the Group to carry on its businesses;*
- *changes or advances in technology, and availability of resources such as spectrum, necessary to use new or existing technology, or customer and consumer preferences regarding technology;*

- *the performance of the markets in the UK, the EU and the wider region in which the Group operates;*
- *the ability of the Group to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;*
- *the ability of the Group to develop, expand and maintain its broadcast and telecommunications infrastructure;*
- *the ability of the Group to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;*
- *the Group's dependency on only a limited number of key customers for a large percentage of its revenue; and*
- *expectations as to revenues not under contract.*

INDUSTRY AND MARKET INFORMATION

This Financial Report may include market share and industry data which the Group obtained from industry publications and surveys, industry reports prepared by consultants, internal data and customer feedback. None of the third party sources has made any representation, express or implied, and has not accepted any responsibility, with respect to the accuracy or completeness of any of the information contained in this Financial Report.

These third party sources generally state that the information they contain has been obtained from sources believed to be reliable. However, these third party sources also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Group does not have access to all of the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third party sources, the Group is unable to verify such information and cannot guarantee its accuracy, fairness or completeness. Similarly, internal surveys, industry forecasts and market research have not been independently verified.

In addition, certain information in this Financial Report may not be based on published data obtained from independent third parties or extrapolations thereof but on information and statements reflecting the Group's best estimates based upon information obtained from trade and business organisations and associations, consultants, and other contacts within the industries in which the Group operates, as well as information published by the Group's competitors. Such information is based on the following: (i) in respect of the Group's market position, information obtained from trade and business organisations and associations and other contacts within the industries in which the Group operates, and (ii) in respect of industry trends, the Group's senior management team's business experience and experience in the industry and the markets in which the Group operates. The Group cannot assure you that any of the assumptions that it has made in compiling this data are accurate or correctly reflect the Group's position in its markets.

DESCRIPTION OF BUSINESS

Arqiva is one of the UK's leading communications infrastructure and media services providers. With significant investments in essential communications infrastructure, the Group is the leading independent telecom towers operator and the sole terrestrial broadcast network provider in the UK. The Group's core infrastructure business (comprising terrestrial broadcast, digital platforms, wireless site-share, smart metering and satellite infrastructure) generates predictable operating profits, supported by strong market positions, diverse revenue streams and long-life assets. A significant proportion of the Group's revenues come from long-term inflation-linked contracts. The Group had a contracted orderbook of £5.5bn as at 30 June 2017.

The Group enjoys the following key competitive advantages:

- regulated position as the sole UK national provider of network access ('NA') and managed transmission services ('MTS') for terrestrial television broadcasting, the most popular television broadcast platform in the UK in terms of platform take-up. The Group owns and operates the television transmission network used for digital terrestrial television ('DTT') broadcasting in the UK and has long-term contracts with public service broadcaster ('PSB') customers (who depend on the Group to meet the obligations under their licences to provide coverage to 98.5% of the UK population) as well as with commercial broadcasters;

- market leader for commercial spectrum used for the transmission of DTT, owning two of the three main national commercial Multiplexes. The Group owns a further two High Definition ('HD') capable DTT (DVB-T2) Multiplexes for additional services on Freeview and DTT related platforms in the DVB-T2 format. DTT video streams in the UK are more valuable to broadcasters than either satellite or cable video streams, due to DTT's extensive viewer coverage, uptake and the more limited number of commercial channels on the platform;

- regulated position as the leading UK national provider of NA and MTS for radio broadcasting. The Group provides NA for 100% of the analogue and DAB digital radio transmission market in the UK and 90% for MTS. Arqiva wholly owns D1, the largest national commercial digital radio multiplex, and is the largest shareholder in SDL, the second national commercial digital radio multiplex and holds 25 of the UK's 56 local radio licences as at 31 December 2017;

- largest independent provider of wireless infrastructure sites in the UK, with c. 8,000 active licensed sites (including contractual options) with prominence in rural and suburban areas. These are licensed to Mobile Network Operators ('MNOs') and other wireless network operators. In addition, Arqiva is a provider of installation services for upgrades and rollouts. Access to Arqiva's active site portfolio is mission-critical for MNOs, in order to meet national coverage obligations stipulated by their spectrum licences;

- access to c. 350,000 municipal street furniture sites for the provision of Small Cells and commercial wireless networks in 14 London boroughs and 3 UK cities including Manchester, Medway and Southampton. The Group also has a leading position in providing neutral host In-Building Solutions and Distributed Antenna Systems (DAS), with 46 systems installed in locations including Canary Wharf, Selfridges and Bluewater;

- a leading provider of smart metering and M2M communications. Contracts include: supply of smart metering communication services in Northern England and Scotland for electricity and gas to approximately 9.3 million premises; smart water metering network for Thames Water that is expected to cover 3 million homes once fully deployed, and trial contracts with Anglian Water for smart water metering deployment;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK. The Group is the market leader in the managed proposition market, with an estimated outsourced market share of approximately 51% of fully managed channels as of 31 December 2017; and

- a significant proportion of revenue from long-term contracts enjoys automatic RPI-linked increases.

FINANCIAL RESULTS AND RECENT DEVELOPMENTS

The following discussion of the Group's financial condition and results of operations should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 June 2017 and the Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2017 and the related notes to those consolidated financial statements.

Some of the statements contained below, including those concerning future revenues, costs, capital expenditures, acquisitions and financial condition, may contain forward-looking statements. As such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward-looking statements. A discussion of such uncertainties is provided under "Forward Looking Statements."

The Financial Overview and Recent Developments in the following section relate to both Arqiva Broadcast Parent Limited ('ABPL') and Arqiva Group Parent Limited ('AGPL'), together the 'Group'.

The trading results of the two consolidation groups are aligned but with different financing structures. Commentary relates to both ABPL (including senior and junior debt) and AGPL (senior debt only) unless specified otherwise. Items which relate to both ABPL and AGPL discussed in the Financial Results section from page 11 onwards appear in shaded boxes for ease of reference.

Results of operations for the prior year or the recent period are not necessarily indicative of the result to be expected for any future period. Some of the performance indicators and ratios reported herein, such as EBITDA, are not financial measures defined in accordance with IFRS or UK GAAP and, as such, may be calculated by other companies using different methodologies and having different results. Therefore, these performance indicators and ratios are not directly comparable to similar figures and ratios reported by other companies.

EXECUTIVE SUMMARY

Financial Overview

The following table summarises the headline financials for the period:

	Six Months Ended 31 December		
	2017	2016	% Change
	(Unaudited) £ millions		
Terrestrial Broadcast	239.4	223.8	7.0%
Telecoms & M2M[1]	174.7	167.4	4.4%
Satellite and Media	67.9	75.1	(9.6)%
Total Group revenue	**482.0**	**466.3**	**3.4%**
Terrestrial Broadcast	176.3	164.1	7.4%
Telecoms & M2M	87.4	70.0	24.9%
Satellite and Media	15.4	17.2	(10.5)%
Other[2]	(23.0)	(20.6)	(11.7)%
Total EBITDA (excluding exceptional items)	**256.1**	**230.7**	**11.0%**
Net cash inflow from operating activities	259.6	217.4	19.4%
Net capital expenditure and financial investment	(85.4)	(77.6)	(13.9)%
Operating cash flow after capital and financial investment activities	**179.5**	**163.3**	**9.9%**

The revenue above is the reported revenue for the Group. The prior year period includes revenue totalling £7.2m (current year period: £nil) from the WiFi business that was disposed of within that year. Excluding these disposals, like for like revenue growth from continuing operations was 5.0%.

Further explanation of the year on year movements are provided on page 11 and onwards.

EBITDA for the Group excluding exceptional items was £256.1m, representing an 11.0% increase from £230.7m in the prior year period.

EBITDA for the Group including exceptional items was £248.1m, up 10.6% compared with the prior year result of £224.3m. Exceptional items charged to operating profit in both the current year and prior year predominantly relate to reorganisation costs resulting from the Group's FutureFit efficiency programme and costs associated with the shareholders' strategic review.

The Group's operating profit for the period was £158.7m, an increase of 6.1% from £149.6m in the prior year period.

---

1 For the avoidance of doubt, the Smart Metering machine-to-machine ('M2M') financials included in this report refer solely to the ABPL and AGPL financials. They do not include any revenue earned outside of these junior and senior financing groups.

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

Net cash inflow from operating activities for the six month period ended 31 December 2017 was £259.6 compared to £217.4m, representing a 19.4% increase from the prior year. The increase was primarily due to higher EBITDA (as described above) as well as a working capital inflow of £11.6m for the period versus an outflow of £6.9m in the prior period. This is primarily due to a change in the timing of billing receipts from certain large customers partially offset by a decrease in provisions following the payment of compensation for the alignment of employee contract terms and conditions.

Net capital expenditure and financial investment in the six month period ended 31 December 2017 was £85.4m compared with £77.6m in the prior year period.

Recent Developments since 30 September 2017

Terrestrial Broadcast

Digital radio (DAB) rollout

The Group is progressing with the delivery of Commercial local DAB. In total Arqiva is delivering new transmitters or upgrades at 221 sites and as at 31 December 2017 work had been completed at 218. The final sites for this phase will be completed by the end of March 2018, taking local DAB coverage to over 91%.

Arqiva's long term strategy of supporting DAB digital radio take-up continues to show positive results. More than six in ten people in the UK now have a DAB digital radio at home and Arqiva's DAB multiplexes show high utilisation levels driven by strong market demand. In September 2017, two channels of national capacity on SDL were advertised and subsequently sold.

700 MHz Clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned for use by the mobile network providers. This is a change that will be adopted across Europe, Africa, the Middle East and central Asia.

The Group is contracted with the major broadcasters and Ofcom for the delivery of the programme. Arqiva is responsible for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery is progressing well and Arqiva continues to earn revenues and generate cashflows. All Clearance events that were scheduled in 2017 were completed as planned. The programme has a sequence of events through to early 2020.

Telecoms & M2M

Smart energy metering rollout

Arqiva has rolled out a smart metering communication network in the North of England and Scotland as part of a 15-year contract with the Data and Communications Company (the 'DCC', a body licensed by statute and backed by the utility companies).

The Arqiva network is successfully transmitting and receiving messages between DCC users (the energy companies), and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots is continuing on the network and Arqiva has been supporting the DCC with their preparations, ahead of mass roll-out commencing mid-2018. The rollout of the Arqiva network is on track and currently covers 93% of premises in line with our contractual commitments.

Smart water metering rollout – Thames Water

Arqiva has a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The live service is delivering more than 5 million meter readings per day and there are now over 255,000 meters installed, an increase of circa 25,000 since the previous financial report. Following the excellent results achieved to date, Thames Water has taken the decision to accelerate the smart metering network deployment to realise the benefits of extended coverage several years earlier than originally planned. Arqiva is now targeting full network coverage across the entire Thames Water London region by the end of 2018.

Smart water metering trial contract wins – Anglian Water

Arqiva also has contracts with Anglian Water for the delivery and monitoring of smart water metering fixed network trials for the deployment and operation of new water meters in two regions. As at 31 December 2017, Arqiva had installed 6,100 meters out of 7,500 meters for the Newmarket, Suffolk region. For the second region, the Group had installed 9,000 meters out of the 12,000 meters required. The Group remains on track for its delivery milestones in both regions. These trials are part of Anglian Water's plans for a long-term smart metering programme.

4G rollout

The four Mobile Network Operators ('MNOs') continue to increase their 4G network coverage and Arqiva has been undertaking large volumes of antenna and feeder upgrade projects to facilitate this. The Group had completed 7,585 4G equipment upgrades across Arqiva sites up to 31st December 2017 since rollout began in 2014. Installation Services supports the Group's towers business where activity has been ramping up as the MNOs leverage Arqiva's estate and capability to help them achieve their 4G coverage requirements.

<u>Other</u>

Management changes

During the period Arqiva appointed Jeremy Mavor as Group General Counsel and David Crawford as Managing Director of the Telecoms & M2M business unit. Jeremy and David replace Michael Giles and Nicolas Ott respectively, who have decided to step down from their positions after a number of years of distinguished service. The Board thanks them for their contributions and wishes them well for the future.

Jeremy moves to the General Counsel role from his position as Head of Legal for finance and corporate matters. David Crawford will move from his post as Director of Satellite & Media and formally assume his new role from 1 April 2018. Alex Pannell (previously Commercial Director, Satellite and Media) will take up the leadership of the Satellite & Media business unit on an interim basis.

Credit ratings update

Ratings for both the senior (BBB: Fitch/S&P) and junior debt (B-/B3: Fitch/Moodys) have been affirmed by all respective rating agencies during the half year period. Most recently S&P completed their affirmation in December 2017 and Fitch revised their outlook from negative to stable at both senior and junior levels in July 2017.

Shareholder strategic review

In October 2017, Arqiva announced its intention to proceed with an initial public offering ("IPO"). Owing to unfavourable IPO market conditions, the Board and Arqiva's shareholders agreed that proceeding with the transaction was no longer in the best interests of the Company, and in November 2017, decided to postpone the IPO.

Arqiva's shareholders remain motivated by ensuring the company's best interests and continue to consider their options at this time.

Financial Results for the six month period ended 31 December 2017

Income Statement

The following table shows certain of the Group's income statement data for the periods indicated:

	Six Months Ended 31 December		Year Ended 30 June
	2017	2016	2017
	(Unaudited) £ millions		(Audited) £ millions
Revenue	482.0	466.3	941.3
Cost of sales	(170.5)	(179.6)	(353.5)
Gross profit	**311.5**	**286.7**	**587.8**
Depreciation	*(79.2)*	*(70.8)*	*(141.6)*
Amortisation	*(7.5)*	*(4.1)*	*(12.6)*
Impairment	*(4.4)*	-	-
Operating expenses	*(55.5)*	*(56.2)*	*(114.4)*
Exceptional operating expenses	*(8.0)*	*(6.4)*	*(29.5)*
Total operating expenses	*(154.6)*	(137.5)	*(298.1)*
Other income	1.6	0.3	1.1
Share of results of associates and joint ventures	0.2	0.1	0.3
Operating profit*	**158.7**	**149.6**	**291.1**

**The line items in the table are discussed below. At this point the income statement diverges between ABPL and AGPL.*

For the financial statement line items below operating profit for each consolidation level, please see the table and commentary on page 17 onwards.

Revenue
For the six month period ended 31 December 2017 revenue for the Group was £482.0m, an increase of 3.4% from £466.3m in the prior year period. The prior year period includes revenue totalling £7.2m (current year period: £nil) from the WiFi business[3], that was disposed of within that year. Excluding this disposal, revenue growth from continuing operations was 5.0%. See page 13 for explanations of revenue growth by business unit.

[3] This business area relates to the Telecoms & M2M business unit.

Cost of Sales
For the six month period ended 31 December 2017 cost of sales for the Group was £170.5m, a decrease of 5.1% from £179.6m in the prior year period. Cost of sales from continuing operations (excluding the WiFi business) decreased by 2.2%. The shift in sales mix towards higher margin activities and improvements in service delivery efficiency has resulted in an increased margin.

Gross profit
For the six month period ended 31 December 2017, gross profit for the Group was £311.5m, representing an 8.7% increase from £286.7m in the prior year period. The increase was as a result of the above mentioned strong revenue growth, shift in product mix and improvements in the efficiency of service delivery.

Operating expenses
Operating expenses for the Group during the six month period ended 31 December 2017 excluding exceptional items were £55.5m, a 1.2% decrease from the prior year period figure of £56.2m.

EBITDA
EBITDA for the Group excluding exceptional items was £256.1m, representing an 11.0% increase from £230.7m in the prior year period, explained by the increase in gross profit resulting from the shift in sales mix and cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business.

For a reconciliation of Group operating profit to EBITDA, see "*Note Regarding EBITDA and Reconciliation from EBITDA to Operating Profit*" in the Appendix.

The following table shows the Group's revenue by operating unit for the periods indicated:

Revenue by operating unit	**Six Months Ended 31 December**		
	2017	**2016**	**% Change**
	(Unaudited) £ millions		
Terrestrial Broadcast	239.4	223.8	7.0%
Telecoms & M2M	174.7	167.4	4.4%
Satellite and Media	67.9	75.1	(9.6)%
Total Group revenue	**482.0**	**466.3**	**3.4%**

Terrestrial Broadcast
Revenue for the Group's Terrestrial Broadcast business during the six month period ended 31 December 2017 was £239.4m, representing a 7.0% increase from £223.8m in the prior year period. This increase has been delivered as a result of the DAB rollout and increased activity thereon as well as RPI linked increases on broadcast contracts and increased activity in relation to the 700 MHz Clearance Programme.

Telecoms & M2M
Reported revenue for the Group's Telecoms & M2M division was £174.7m, a 4.4% increase from the prior year period figure of £167.4m. The prior year includes revenues totalling £7.2m (2017: £nil) from the WiFi business which were disposed of. Excluding this disposal, continuing operations revenue growth was 9.1%.

This growth was principally as a result of increased revenue from the telecoms towers business (2017: £110.8m; 2016: £102.6m) increasing 8.0% due to site assignments, upgrades to existing sites and contract indexation. This growth has been partially offset by a decrease in Installation Services activity (2017: £29.7m; 2016: £31.8m) in line the with expected rollout programme.

M2M revenues increased 35.8% to £30.7m from £22.6m in the prior year. This was principally due to further revenues from set up charges and change requests following Go-Live of the smart metering energy contract.

Satellite and Media
Revenue for the Satellite and Media business during the six month period ended 31 December 2017 was £67.9m which was a 9.6% decrease from £75.1m in the prior year period. The decrease was driven by the continuing impact of exiting low margin contracts and negative foreign exchange movements. These decreases were, however, partially offset by the rollout of new HD channel sales within the UK DTH business.

The following table shows the Group's EBITDA (excluding exceptional items) by operating unit for the periods indicated:

EBITDA by operating segment	Six Months Ended 31 December		
	2017	2016	% Change
	(Unaudited) £ millions		
Terrestrial Broadcast	176.3	164.1	7.4%
Telecoms & M2M	87.4	70.0	24.9%
Satellite and Media	15.4	17.2	(10.4)%
Other[4]	(23.0)	(20.6)	(11.7)%
Total EBITDA	**256.1**	**230.7**	**11.0%**

Terrestrial Broadcast
EBITDA for the Group's Terrestrial Broadcast business during the six month period ended 31 December 2017 was £176.3m, representing an 7.4% increase from £164.1m in the prior year period. The growth was mainly due to ongoing DAB rollout and increased 700 MHz Clearance activities.

Telecoms & M2M
EBITDA for the Group's Telecoms & M2M business during the six month period ended 31 December 2017 was £87.4m, a 24.9% increase from the prior year figure of £70.0m. This was principally due to the growth in the telecoms towers business, and the smart energy metering contract. Costs have increased at a lower rate than revenue. This has been due to the change in sales mix driven by a reduction in lower margin installation services activity and increases in incremental change requests relating to the smart metering contract.

Satellite and Media
EBITDA for the Satellite and Media business during the six month period ended 31 December 2017 was £15.4m which was a 10.4% decrease from £17.2m in the prior year. The decrease is due to the revenue decrease described above partially offset by rationalisation of Satellite capacity costs as a result of the FutureFit savings programme.

Other
The increase versus the prior year period is reflective of increased maintenance contract and licence costs to support IT systems in growth areas including Smart metering, together with increased costs associated with the long term incentive plan and foreign exchange credits in the prior year not repeated.

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

Depreciation
Depreciation for the Group during the six month period ended 31 December 2017 was £79.2m, an increase of 11.9% from the prior year period figure of £70.8m. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with Smart Metering contracts and 700 MHz Clearance Programme) and the accelerated depreciation on certain assets (particularly in connection with assets replaced under the 700MHz Clearance Programme).

Amortisation
Amortisation for the Group during the six month period ended 31 December 2017 was £7.5m, compared to the prior year period figure of £4.1m. This was due to an increase in the underlying intangible asset base of the Group, and the accelerated amortisation of certain assets linked to the Group's IT transformation.

Impairment
Impairment for the Group during the six month period ended 31 December 2017 was £4.4m, compared to the prior year period figure of £nil. Impairment was recognised to write down the value of tangible and intangible assets in relation to non-core business areas.

Exceptional operating expenses
Exceptional operating expenses for the Group during the six month period ended 31 December 2017 were £8.0m versus £6.4m during the prior year period. Exceptional items charged to operating profit in both the current year and prior year predominantly relate to reorganisation and programme management costs resulting from the Group's FutureFit efficiency programme and costs associated with the shareholders' strategic review.

EBITDA including exceptional items

EBITDA for the Group including exceptional items charged to operating profit was £248.1m, an increase of 10.6% compared with the prior year period result of £224.3m, explained by the increase in gross profit and operating efficiencies becoming embedded into the cost base of the business.

Other income
Other income of £1.6m for the six month period ended 31 December 2017 (2016: £0.3m) relates to income grants received in the six month period.

Share of results of associates and joint ventures
The Group's share of results of associates and joint ventures for the six month period was £0.2m versus £0.1 in the prior year period.

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. A gain of £0.1m on disposal has been recognised.

Operating profit
For the six month period, operating profit for the Group was £158.7m, a 6.1% increase from £149.6m in the prior year period. This increase is principally due to the growth in EBITDA described above, partially offset by the increase in depreciation, amortisation and impairment.

Note: The financial statement line items for ABPL and AGPL diverge at this point and are therefore discussed separately below for the two consolidation levels.

ABPL

	Six Months Ended 31 December 2017	Six Months Ended 31 December 2016	Year Ended 30 June 2017
	(Unaudited) £ millions	(Unaudited) £ millions	(Audited) £ millions
Operating profit	158.7	149.6	291.1
Interest receivable and similar income	*0.8*	*0.3*	*3.7*
Net bank and other loan interest	*(115.0)*	*(117.5)*	*(231.4)*
Other interest	*(18.1)*	*(17.7)*	*(33.9)*
Net third party interest payable and similar charges	***(132.3)***	***(134.9)***	***(261.6)***
Interest payable to group undertakings	(50.6)	(45.7)	(93.2)
Other gains and losses	26.5	(143.2)	(112.5)
Exceptional other gains and losses	0.1	(20.6)	(20.6)
Profit / (loss) before tax	**2.4**	**(194.8)**	**(196.8)**
Tax	233.0	*(0.2)*	(0.1)
Profit / (loss) for the period	**235.4**	**(195.0)**	**(196.9)**
Attributable to:			
Owners of the Company	235.2	(195.0)	(197.1)
Non-controlling interest*	0.2	-	0.2
	235.4	**(195.0)**	**(196.9)**

**relates to the share of Now Digital (East Midlands) Limited and South West Digital Radio Limited, subsidiary undertakings, that is not attributable to the owners of the Company (i.e. the non-controlling interest).*

Interest receivable and similar income
Interest receivable and similar income for the six month period was £0.8m versus £0.3m in the prior year period.

Net bank and other loan interest
Net bank and other loan interest for the Group for the six month period was £115.0m compared to £117.5m in the prior year period. This decrease was as a result of the new facilities and swap instruments that were established in November 2016.

Other interest
Other interest for the Group for the six month period was £18.1m, compared to £17.7m in the prior year period. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest.

Interest payable to group undertakings
Interest payable to group undertakings for the six month period was £50.6m, compared to £45.7m in the prior year period. The increase is due to the additional interest on outstanding balances.

Other gains and losses
The Group reported £26.5m of other gains in the six month period (2016: £143.2m loss). Of the gains in the period, £9.5m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however the cross-currency swaps provide an economic hedge to the Group's US$ denominated debt. A further £17.0m of gains were recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

Tax
Tax on profit on ordinary activities during the six month period was a credit of £233.0m (2016: £0.2m charge). The credit in the period is as a result of one-off tax adjustments including recognition of deferred tax assets, not previously recognised on the balance sheet, following changes in tax legislation, and payment received for group relief.

Profit for the financial year

The profit for the six month period was £235.4m, compared to a loss of £195.0m in the prior year period. The profit for the period was after non-cash credits of £92.2m (2016: £299.0m charge) comprising: £26.5m credited to other gains and losses (2016: £163.8m charged); £79.2m depreciation (2016: £70.8m); £7.5m amortisation (2016: £4.1m); £4.4m impairment (2016: £nil); £50.6m interest payable to group undertakings (2016: £45.7m); £17.6m non-cash interest and similar charges (2016: £14.6m) and £225.0m credit to recognize deferred tax assets (2016: £nil). Excluding these non-cash items the Group made an adjusted profit of £143.2m compared to an adjusted profit of £104.0m in the prior year.

AGPL

	Six Months Ended 31 December 2017	2016	Year Ended 30 June 2017
	(Unaudited) £ millions		(Audited) £ millions
Operating profit	158.7	149.6	291.1
Interest receivable and similar income	*0.7*	*0.2*	*3.5*
Net bank and other loan interest	*(86.5)*	*(89.0)*	*(174.3)*
Other interest	*(16.3)*	*(15.8)*	*(30.3)*
Net third party interest payable and similar charges	***(102.1)***	***(104.6)***	***(201.1)***
Interest payable to group undertakings	(72.0)	(67.7)	(136.2)
Other gains and losses	26.5	(143.2)	(112.5)
Exceptional other gains and losses	0.1	(20.6)	(20.6)
Profit / (loss) before tax	**11.2**	**(186.5)**	**(179.3)**
Tax	233.0	(0.2)	(0.1)
Profit / (loss) for the period	***244.2***	***(186.7)***	***(179.4)***
Attributable to:			
Owners of the Company	244.0	(186.7)	(179.6)
Non-controlling interest*	0.2	-	0.2
	244.2	**(186.7)**	**(179.4)**

**relates to the share of Now Digital (East Midlands) Limited and South West Digital Radio Limited, subsidiary undertakings, that is not attributable to the owners of the Company (i.e. the non-controlling interest).*

Interest receivable and similar income
Interest receivable and similar income for the six month period was £0.7m versus £0.2m in the prior year period.

Net bank and other loan interest
Net bank and other loan interest for the Group for the six month period was £86.5m compared to £89.0m in the prior year period. This decrease was as a result of the new facilities and swap instruments that were established in November 2016.

Other interest
Other interest for the Group for the six month period was £16.3m, compared to £15.8m in the prior year period. Other interest is primarily non-cash and principally includes the amortisation of debt issue costs and imputed interest.

Interest payable to group undertakings
Interest payable to group undertakings for the six month period was £72.0m, compared to £67.7m in the prior year. The increase is due to the additional interest on outstanding balances.

Other gains and losses

The Group reported £26.5m of other gains in the six month period (2016: £143.2m loss). Of the gains in the period, £9.5m gain was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however the cross-currency swaps provide an economic hedge to the Group's US$ denominated debt. A further £17.0m of gains were recognised as a result of fair value movements of swaps, principally attributable to the servicing of derivatives partially offset by changes in market yields and credit spreads.

Tax

Tax on profit on ordinary activities during the six month period was a credit of £233.0m (2016: £0.2m charge). The credit in the period is as a result of one-off tax adjustments including recognition of deferred tax assets, not previously recognised on the balance sheet, following changes in tax legislation and payment received for group relief.

Profit for the financial year

The profit for the six month period was £244.2m, compared to a loss of £186.7m in the prior year period. The profit for the period was after non-cash credits of £72.6m (2016: £319.2m charges) comprising: £26.5m credited to other gains and losses (2016: £163.8m charged); £79.2m depreciation (2016: £70.8m); £7.5m amortisation (2016: £4.1m); £4.4m impairment (2016: £nil); £72.0m interest payable to group undertakings (2016: £67.7m); £15.8m of other non-cash interest and similar charges (2016: £12.8m) and £225.0m credit to recognise of deferred tax assets (2016: £nil). Excluding these non-cash items the Group made a profit of £171.6m compared to an adjusted profit of £132.4m in the prior year.

Net cash flows

The following tables show information regarding the ABPL and AGPL statement of cash flows:

ABPL	Six Months Ended 31 December		Year Ended 30 June
	2017	2016	2017
	(Unaudited) £ millions		(Audited) £ millions
Consolidated cash flow data			
Net cash inflow from operating activities	259.6	217.4	*489.7*
Net capital expenditure and financial investment	(85.4)	(77.6)	*(161.3)*
Disposal of investment	4.7	23.6	*23.2*
Loans to joint ventures	0.6	(0.1)	-
Operating cash flow after capital and financial investment activities	179.5	163.3	*351.6*
Movement in borrowings	(69.2)	(7.2)	*(19.4)*
Net interest paid and financing charges	(111.7)	(117.3)	*(237.2)*
Principal accretion on inflation-linked swaps	-	-	*(53.4)*
Debt issue costs and facility arrangement fees	-	(12.2)	*(12.5)*
Cash flow on close out of swaps	-	(36.1)	*(36.0)*
Swap Option sale proceeds	-	3.2	*3.2*
Decrease in cash	**(1.4)**	**(6.3)**	***(3.7)***

AGPL	Six Months Ended 31 December		Year Ended 30 June
	2017	2016	2017
	(Unaudited) £millions		(Audited) £millions
Consolidated cash flow data			
Net cash inflow from operating activities	259.6	217.4	*489.7*
Net capital expenditure and financial investment	(85.4)	(77.6)	*(161.3)*
Disposal of investment	4.7	23.6	*23.2*
Loans to joint ventures	0.6	(0.1)	-
Operating cash flow after capital and financial investment activities	179.5	163.3	*351.6*
Movement in borrowings	(97.7)	(35.7)	*(76.4)*
Net interest paid and other financing charges	(83.2)	(88.8)	*(179.9)*
Principal accretion on inflation-linked swaps	-	-	*(53.4)*
Debt issue costs and facility arrangement fees	-	(12.2)	*(12.5)*
Cash flow on close out of swaps	-	(36.1)	*(36.0)*
Swap Option sale proceeds	-	3.2	*3.2*
Decrease in cash	**(1.4)**	**(6.3)**	***(3.4)***

Net cash inflow from operating activities

For the six month period ended 31 December 2017, ABPL and AGPL generated a cash inflow from operating activities of £259.6m compared to £217.4m, representing a 19.4% increase from the prior year due to strong EBITDA and working capital inflows.

	Six Months Ended 31 December 2017	Six Months Ended 31 December 2016
	(Unaudited) £millions	
EBITDA	*256.1*	*230.7*
Exceptional items	*(8.0)*	*(6.4)*
Working capital	*11.6*	*(6.9)*
Other	*(0.1)*	-
Net cash inflow from operating activities	***259.6***	***217.4***

For a definition of EBITDA, see "*Note Regarding EBITDA and Reconciliation to EBITDA from operating activities*" in the Appendix.

Working capital

Working capital is part of "Net cash inflow from operating activities" in the Group's summary consolidated cash flow statement. The Group defines working capital movement as the movement in current assets, current liabilities and certain long term liabilities including deferred income and provisions greater than one year that form part of the Group's net cash inflow from operating activities. Working capital movement does not include other statement of financial position item movements such as capital creditors, imputed interest and movements on intercompany loan and interest balances.

Whilst the Group's business is not seasonal in nature, its working capital movement is seasonal. The Group invoices and collects a proportion of its Site Share revenues annually in advance in the third quarter of the year. Annual staff bonus payments are made in the first quarter of the financial year.

Operating cash flow after capital and financial investment activities

Operating cash flow after capital and financial investment activities (which aggregates cash inflow from operating activities and net capital expenditure and financial investment) was £179.5m compared to £163.3m representing an improvement of £16.2m. This improvement resulted in the Group repaying more borrowings during the six month period compared with the prior year period.

The table below sets out the Group's working capital position as at the dates shown:

	Six Months Ended 31 December		Year Ended 30 June
	2017	2016	2017
	(Unaudited) £ millions		(Audited) £ millions
Net decrease/(increase) in receivables	33.7	10.4	*(2.8)*
Net (decrease)/increase in payables	(6.7)	(13.9)	*35.3*
Net (decrease)/increase in provisions	(15.4)	(3.4)	*13.2*
Total working capital movement	**11.6**	**(6.9)**	***45.7***

The components of the Group's working capital are:

- *Net movement in receivables comprising trade receivables, prepayments and accrued revenue;*
- *Net movement in payables including trade payables, sundry payables, VAT creditors, accruals, and deferred revenue less than and greater than one year; and*
- *Net movement in provisions includes provisions less than and greater than one year.*

The working capital movement for the six month period ended 31 December 2017 was an inflow of £11.6m, compared to an outflow of £6.9m in the prior year period.

The six month period ended 31 December 2017 working capital inflow of £11.6m consisted of:

- A decrease in receivables of £33.7m as a result of timing differences in billing and cash collection mostly from large Telecoms M2M and Terrestrial Broadcast customers;
- A net decrease in payables of £6.7m which is principally due to the normal utilisation of deferred revenue in connection with large Telecoms & M2M customers and the unwinding of the accrual for the annual bonus, with payments made in September 2017; and
- A net decrease in provisions of £15.4m principally following the payment of compensation for the alignment of employee contract terms and conditions.

The movement in working capital versus the prior year period is a favourable movement of £18.5m. This is principally due to the timing of billing and receipts for certain large Terrestrial Broadcast and Telecoms customers partially offset by the payment of compensation for the alignment of employee contract terms and conditions.

Net capital expenditure and financial investment

The Group requires maintenance capital expenditure as well as growth capital expenditure to support its current business and future development.

Maintenance capital expenditure is expenditure that is incurred to deliver cost-savings, productivity enhancements, to extend the useful life of existing non-current assets, or replace worn out and obsolete non-current assets with new ones in order to support existing contracts.

'Growth – contracted' is capital expenditure that is incurred to deliver new or renewal revenues and which is supported by a signed customer contract.

'Growth - non-contracted' is capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which expenditure is incurred and reported.

Capital creditors/accruals reflect the timing difference (between accruing the liability for capital expenditure and the associated cash outflow) to arrive at 'net capital expenditure and financial investment'.

The table below sets out the Group's capital expenditures for the periods stated:

	Six months ended 31 December		Year Ended 30 June
	2017	2016	2017
	(Unaudited)		(Audited)
	£ millions		£ millions
Maintenance	11.5	9.6	*22.5*
Growth - contracted	74.9	59.9	*129.5*
Growth - non-contracted	2.0	3.2	*13.2*
Subtotal capital expenditure	**88.4**	**72.7**	***165.2***
Sale of non-current assets(1)	-	-	-
Capital creditors/accruals	(3.0)	4.9	*(3.9)*
Net capital expenditure and financial investment	**85.4**	**77.6**	**161.3**

(1) Sale of non-current assets related to the disposal of assets in non-core business areas.

For the six month period ended 31 December 2017, net cash capital expenditure and financial investment was £85.4m, compared to £77.6m in the prior year period.

The overall increase in net capital expenditure and financial investment compared with the prior year period was principally as a result of the increased expenditure on significant capital projects including 700MHz clearance programme partly offset by the change in capital creditors/accruals due to short term cash flow timing.

Included within the £74.9m 'growth – contracted' capital expenditure in the six month period was:

- £34.3m (2016: £37.9m) within Telecoms & M2M, principally in relation to the DCC smart energy metering contract;
- £36.4m (2016: £15.5m) within Terrestrial Broadcast, principally in relation to the 700 MHz clearance programme and DAB roll-out;
- £3.4m (2016: £4.7m) within Satellite and Media across a number of projects; and
- £0.8m (2016: £1.8m) relating to central corporate projects.

The increase versus the prior year was principally owing to the roll-out of the 700MHz clearance programme.

Note: The figures set out by operating unit above are presented on an accruals basis and therefore cannot be directly reconciled to the figures presented as segmental information in the notes to the financial statements, which are presented on a cash basis.

Disposal of investment

In the period ended 31 December 2017, the Group received proceeds (net of disposal costs) of £4.7m for the disposal of its shareholding in Arts Alliance Media Investment Limited, a joint venture, which completed in October 2017. In the prior year the Group received net proceeds of £23.6m for the disposal of the WiFi business.

Movement in borrowings, net interest paid and financing charges, and other movements

Note: the consolidated cash flow line items diverge at these points and therefore are discussed separately below for the two consolidation levels.

ABPL line items:

Movement in borrowings

During the six month period ended 31 December 2017, the movement in borrowings was a net outflow of £69.2m (2016: net outflow of £7.2m) consisting of the net repayment of £69.0m bank facilities and £0.2m capital repayment in relation to finance lease arrangements.

Net interest paid and other financing charges

For the six month period ended 31 December 2017, net interest paid and other financing charges was an outflow of £111.7m (2016: £117.3m). This primarily consisted of £111.4m interest paid to external sources, £0.5m from the interest element of finance lease rentals less £0.2m interest received. The outflow is lower than in the prior year. This is due to lower financing costs following the November 2016 refinancing and reduction in bank debt borrowings.

Net interest paid and other financing charges differs to the interest and financing expenses within the income statement owing primarily to non-cash charges in the income statement in respect of the amortisation of debt issue costs, imputed interest, and movements in the amount of accrued interest balances.

Other movements

For the six month period ended 31 December 2017, other movements were £nil (2016: outflow of £45.1m). In conjunction with the November 2016 refinancing, the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional of swap options were fully closed out with cash proceeds received of £3.2m and £353.2m notional of interest rates swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement note which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a negative net cash flow impact of £36.1m. Debt issue costs and facility arrangement fees of £12.2m were incurred on the November 2016 refinancing. These were one-off outflows that have not been repeated in the six months to 31 December 2017.

Decrease in cash

For the six month period ended 31 December 2017 the ABPL Group's decrease in net cash was £1.4m (2016: £6.3m) owing to the above factors.

AGPL line items:

Movement in borrowings

During the six month period ended 31 December 2017, the Group made a £28.5m (2016: £28.5m) payment to its parent undertakings.

There was an additional net outflow in borrowings of £69.2m (2016: net outflow of £7.2m) consisting of the net repayment of £69.0m bank facilities and £0.2m capital in relation to finance lease arrangements.

Net interest paid and other financing charges

For the six month period ended 31 December 2017, net interest paid and other financing charges was an outflow of £83.2m (2016: outflow of £88.8m). This primarily consisted of £82.8m in interest paid to external sources and £0.5m from the interest element of finance lease rentals less £0.1m interest received. The outflow is lower than in the prior year. This is due to lower financing costs following the November 2016 refinancing and reduction in bank debt borrowings.

Net interest paid and other financing charges differs to the interest and financing expenses within the income statement owing primarily to non-cash charges in the income statement in respect of the amortisation of debt issue costs, imputed interest, and movements in the amount of accrued interest balances.

Other movements

For the six month period ended 31 December 2017, other movements were £nil (2016: outflow of £45.1m). In conjunction with the November 2016 refinancing, the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional of swap options were fully closed out with cash proceeds received of £3.2m and £353.2m notional of interest rates swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement note which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a negative net cash flow impact of £36.1m. Debt issue costs and facility arrangement fees of £12.2m were incurred on the November 2016 refinancing. These were one-off outflows that have not been repeated in the six months to 31 December 2017.

Decrease in cash

For the six month period ended 31 December 2017 the AGPL Group's decrease in net cash was £1.4m (2016: £6.3m) owing to the above factors.

Contractual obligations and Commitments

The following table sets out the payments due by period under the contractual obligations as at 31 December 2017 for ABPL and AGPL:

ABPL

	Payments due by Period				
	Total	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(Unaudited) £ millions		
Bank loans – Working capital facility	37.0	37.0	-	-	-
Senior debt – Institutional Term Loan	180.0	-	-	-	180.0
Senior debt – European Investment Bank	190.0	-	-	-	190.0
Senior debt – Bank term loan	135.0	-	135.0	-	-
Senior bonds, notes and US Private Placement(1)	1,860.9	61.7	522.6	274.4	1,002.2
Junior bonds	600.0	-	600.0	-	-
Finance lease obligations	12.8	0.4	1.2	1.6	9.6
Sub total (excluding impact of off-setting hedge arrangements)	**3,015.7**	**99.1**	**1,258.8**	**276.0**	**1,381.8**
Trade payables	59.2	59.2	-	-	-
Capital commitments	44.7	39.9	4.8	-	-
Operating lease commitments	273.7	34.7	58.0	40.8	140.2
Other payables (incl. accruals and deferred revenue)	499.7	264.0	67.3	39.1	129.3
Total non-Group	**3,893.0**	**496.9**	**1,388.9**	**355.9**	**1,651.3**
Amounts owed to Group undertakings	1,089.4	1,044.2	-	-	45.2
Total	**4,982.4**	**1,541.1**	**1,388.9**	**355.9**	**1,696.5**

AGPL

	Payments due by Period				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(Unaudited) £ millions		
Bank loans – Working capital facility	37.0	37.0	-	-	-
Senior debt – Institutional Term Loan	180.0	-	-	-	180.0
Senior debt – European Investment Bank	190.0	-	-	-	190.0
Senior debt – Bank term loan	135.0	-	135.0	-	-
Senior bonds, notes and US Private Placement(1)	1,860.9	61.7	522.6	274.4	1,002.2
Finance lease obligations	12.8	0.4	1.2	1.6	9.6
Sub total (excluding impact of off-setting hedge arrangements)	**2,415.7**	**99.1**	**658.8**	**276.0**	**1,381.8**
Trade payables	59.2	59.2	-	-	-
Capital commitments	44.7	39.9	4.8	-	-
Operating lease commitments	273.7	34.7	58.0	40.8	140.2
Other payables (incl. accruals and deferred revenue)	499.7	264.0	67.3	39.1	129.3
Total non-Group	**3,293.0**	**496.9**	**788.9**	**355.9**	**1,651.3**
Amounts owed to Group undertakings	1,535.0	1,038.2	-	-	496.8
Total	**4,828.0**	**1,535.1**	**788.9**	**355.9**	**2,148.1**

(1) Senior bonds, notes and US Private Placement include US$ denominated debt presented gross of offsetting hedge arrangements.

In November 2016 the Group completed the refinancing of all of the bank facilities that were due to mature in 2018 namely the £353.3m term bank loan and working capital and capital expenditure facilities. These outstanding facilities were replaced with a £218.5m sterling denominated floating rate amortising US debt private placement with maturity date of December 2029 and a new bank term loan with an expected maturity of June 2020 (with an additional mechanism to prepay drawings from available surpluses of which £135.0m remains outstanding). These new facilities were established by Arqiva Financing No.1 Ltd ('AF1') (bank term loan) and Arqiva PP Financing PLC ('APPF') (private placement notes).

As part of the Group's 2013 refinancing, the majority of the balances within amounts owed to group undertakings were formalised under a single subordinated loan agreement with the direct parent company which has a long term maturity date of 2033. Under the terms of the subordinated loan agreement, these loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower, and interest can be deferred if the borrower does not have sufficient available cash flow. The Group continues to defer these amounts in accordance with the terms of the loans, and this deferred amount is presented as being due within one year.

The Group does not, and has not used off-balance sheet special purpose vehicles or similar financing arrangements on an historical basis. In addition, the Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

Contingent Liabilities

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

Derivative financial instruments

The Group uses interest rate swaps ('IRS') and Inflation Linked Swaps ('ILS') to hedge its net exposure to movements in interest rates and inflation and cross currency swaps to manage its exposure to fluctuations of currency movements on its foreign denominated debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, as part of the carrying value of the instrument over its full life, which correlates to the life of the instrument it is designed to hedge.

Amounts received and paid under the swaps are shown at net value under financing costs, where they are part of the same legal agreement and settled at net value in practice. Accreting liabilities on ILS are incorporated into the fair value measurement of the instrument.

The Group also utilises forward contracts to hedge certain trade-related foreign currency transactions, however there were no trades in place at the reporting date.

The fair value of derivatives is calculated using a credit risk-adjusted discount rate and therefore incorporates a debit valuation adjustment (and/or credit valuation adjustment) as required. The changes in the fair value of such derivatives are recognised within the income statement as an ‘other gain or loss’.

Inflation linked swaps (‘ILS’)

£1,312.5m of fixed rate debt is hedged via three classes of ILS which either directly or via overlay swaps, fix interest and cause it to be indexed to RPI. These swaps have been structured such that the accretion is paid down annually. Only one small tranche of these swaps has a mandatory break clause in 2023, whilst the remaining tranches are break-free.

The maturity date for all three classes of ILS is April 2027.

Interest rate swaps (‘IRS’)

£1,023.5m of floating rate debt is now hedged via four tranches of IRS contracted by AF1. These swaps have no break clauses and maturity dates are co-terminus with the underlying floating rate debt instrument’s repayment profile.

Cross Currency Swaps

AF1 has entered into US$ 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar tranche of the Private Placement at an exchange rate of US$1.52:£1.

Fair value measurement

The credit risk-adjusted fair value of the outstanding swaps at 31 December 2017 is a liability of £1,162.7m. This comprises £836.8m in relation to the RPI linked swaps (including principal accretion of £37.8m), £342.7m in relation to the IRS, and a £16.8m asset in relation to the cross currency swaps (2016: liability of £1,135.6m).

APPENDIX

Note Regarding EBITDA and Reconciliation of EBITDA to Operating Profit

EBITDA is presented to aid understanding of the Group's results of operations and financial condition. The Group defines EBITDA as operating profit (taken from the Group's consolidated income statement data) before depreciation and amortisation, exceptional operating expenses and one-off items where the earnings or charges are not considered to be indicative of the Group's on-going operations, e.g. profit or loss on the disposal of non-current assets.

EBITDA is a supplemental measure of financial performance that is not required by, nor presented in accordance with, IFRS. EBITDA is not a measure of performance under IFRS and investors should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) cash flows from operating investing and financing activities as a measure to meet the Group's cash needs or (c) any other measures of performance under IFRS or generally accepted accounting principles. Investors should exercise caution in comparing EBITDA as reported by the Group to EBITDA of other companies.

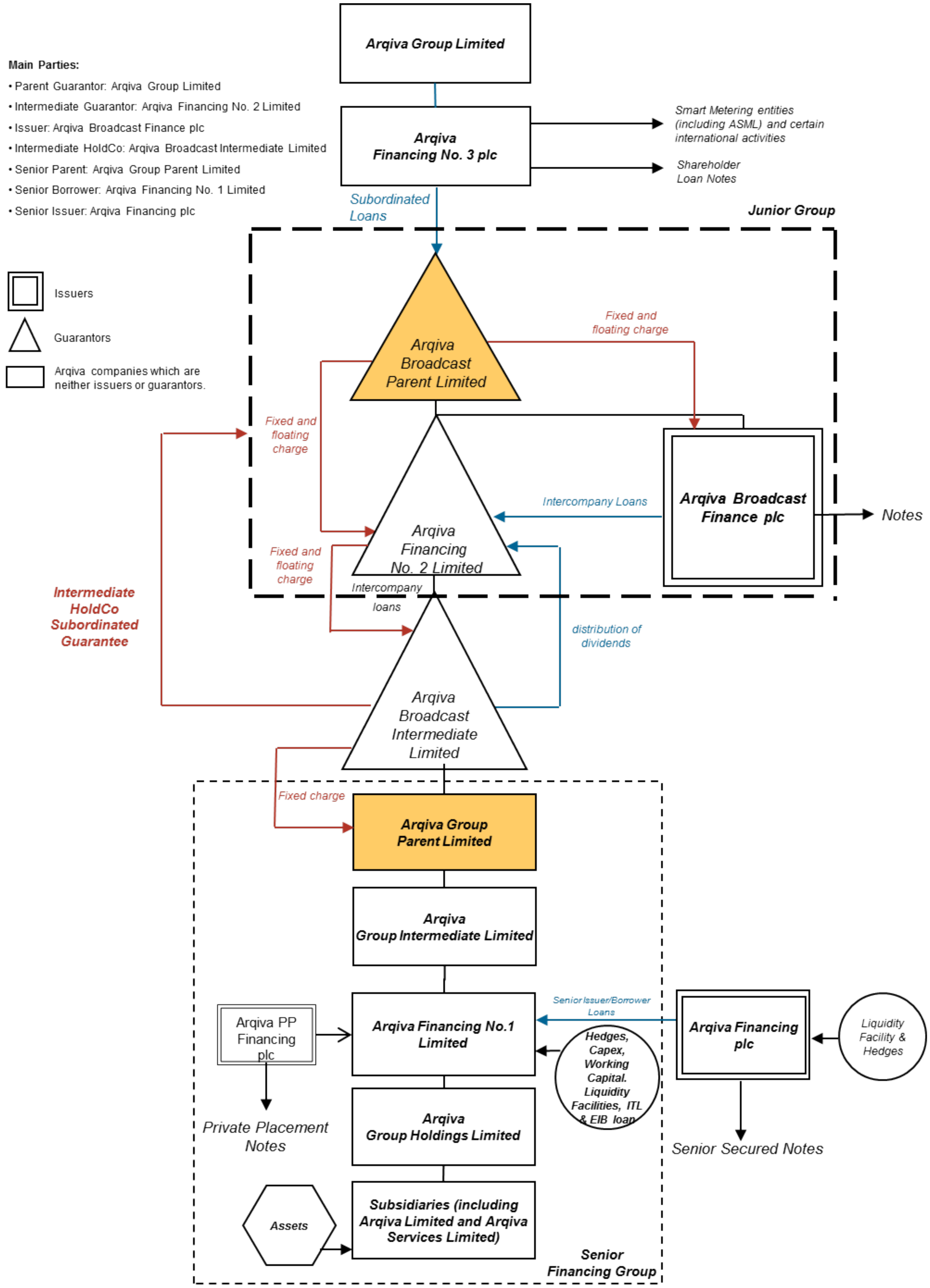
EBITDA has been included in this Financial Report because it is a measure that the Group's management uses to assess the Group's operating performance.

The following table provides a reconciliation of operating profit to EBITDA for the periods indicated:

	Six month period ended 31 December	
	2017	2016
	(Unaudited) £ millions	
Operating profit	**158.7**	**149.6**
Depreciation	79.2	70.8
Amortisation	7.5	4.1
Impairment	4.4	-
Exceptional administrative expenses	8.0	6.6
Other	(1.7)	(0.4)
EBITDA	**256.1**	**230.7**

'Other' includes share of results of associates and joint ventures, other income, profit and loss on disposal of non-current assets and operational bank charges.

Summary Corporate and Financing Structure



UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2017 OF ABPL AND AGPL

Arqiva Broadcast Parent Limited

Registered number 08085823

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2017

Table of Contents

Interim financial report

The Directors of Arqiva Broadcast Parent Limited, registered company number 08085823, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2017.

Cautionary statement

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

The risks and uncertainties referred to above include:

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

Business overview

Arqiva is one of the UK's leading communications infrastructure and media services providers. With significant investments in essential communications infrastructure, the Group is the leading independent telecom towers operator and the sole terrestrial broadcast network provider in the UK. The Group's core infrastructure business (comprising terrestrial broadcast, digital platforms, wireless site-share, smart metering and satellite infrastructure) generates predictable operating profits, supported by strong market positions, diverse revenue streams and long-life assets. A significant proportion of the Group's revenues come from long-term inflation-linked contracts. The Group had a contracted orderbook of £5.5bn as at 30 June 2017.

Recent Developments since 30 September 2017

Terrestrial Broadcast

Digital radio (DAB) rollout

The Group is progressing with the delivery of Commercial local DAB. In total Arqiva is delivering new transmitters or upgrades at 221 sites and as at 31 December 2017 work had been completed at 218. The final sites for this phase will be completed by the end of March 2018, taking local DAB coverage to over 91%.

Arqiva's long term strategy of supporting DAB digital radio take-up continues to show positive results. More than six in ten people in the UK now have a DAB digital radio at home and Arqiva's DAB multiplexes show high utilisation levels driven by strong market demand. In September 2017, two channels of national capacity on SDL were advertised and subsequently sold.

700 MHz Clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned for use by the mobile network providers. This is a change that will be adopted across Europe, Africa, the Middle East and central Asia.

The Group is contracted with the major broadcasters and Ofcom for the delivery of the programme. Arqiva is responsible for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery is progressing well and Arqiva continues to earn revenues and generate cashflows. All Clearance events that were scheduled in 2017 were completed as planned. The programme has a sequence of events through to early 2020.

Telecoms & M2M

Smart energy metering rollout

Arqiva has rolled out a smart metering communication network in the North of England and Scotland as part of a 15-year contract with the Data and Communications Company (the 'DCC', a body licensed by statute and backed by the utility companies).

The Arqiva network is successfully transmitting and receiving messages between DCC users (the energy companies), and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots is continuing on the network and Arqiva has been supporting the DCC with their preparations, ahead of mass roll-out commencing mid-2018. The rollout of the Arqiva network is on track and currently covers 93% of premises in line with our contractual commitments.

Smart water metering rollout – Thames Water

Arqiva has a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The live service is delivering more than 5 million meter readings per day and there are now over 255,000 meters installed, an increase of circa 25,000 since the previous financial report. Following the excellent results achieved to date, Thames Water has taken the decision to accelerate the smart metering network deployment to realise the benefits of extended coverage several years earlier than originally planned. Arqiva is now targeting full network coverage across the entire Thames Water London region by the end of 2018.

Smart water metering trial contract wins – Anglian Water

Arqiva also has contracts with Anglian Water for the delivery and monitoring of smart water metering fixed network trials for the deployment and operation of new water meters in two regions. As at 31 December 2017, Arqiva had installed 6,100 meters out of 7,500 meters for the Newmarket, Suffolk region. For the second region, the Group had installed 9,000 meters out of the 12,000 meters required. The Group remains on track for its delivery milestones in both regions. These trials are part of Anglian Water's plans for a long-term smart metering programme.

4G rollout

The four Mobile Network Operators ('MNOs') continue to increase their 4G network coverage and Arqiva has been undertaking large volumes of antenna and feeder upgrade projects to facilitate this. The Group had completed 7,585 4G equipment upgrades across Arqiva sites up to 31st December 2017 since rollout began in 2014. Installation Services supports the Group's towers business where activity has been ramping up as the MNOs leverage Arqiva's estate and capability to help them achieve their 4G coverage requirements.

Other

Management changes

During the period Arqiva appointed Jeremy Mavor as Group General Counsel and David Crawford as Managing Director of the Telecoms & M2M business unit. Jeremy and David replace Michael Giles and Nicolas Ott respectively, who have decided to step down from their positions after a number of years of distinguished service. The Board thanks them for their contributions and wishes them well for the future.

Jeremy moves to the General Counsel role from his position as Head of Legal for finance and corporate matters. David Crawford will move from his post as Director of Satellite & Media and formally assume his new role from 1 April 2018. Alex Pannell (previously Commercial Director, Satellite and Media) will take up the leadership of the Satellite & Media business unit on an interim basis.

Credit ratings update

Ratings for both the senior (BBB: Fitch/S&P) and junior debt (B-/B3: Fitch/Moodys) have been affirmed by all respective rating agencies during the half year period. Most recently S&P completed their affirmation in December 2017 and Fitch revised their outlook from negative to stable at both senior and junior levels in July 2017.

Shareholder strategic review

In October 2017, Arqiva announced its intention to proceed with an initial public offering ("IPO"). Owing to unfavourable IPO market conditions, the Board and Arqiva's shareholders agreed that proceeding with the transaction was no longer in the best interests of the Company, and in November 2017, decided to postpone the IPO.

Arqiva's shareholders remain motivated by ensuring the company's best interests and continue to consider their options at this time.

Financial results

Revenue

For the six month period ended 31 December 2017 revenue for the Group was £482.0m, an increase of 3.4% from £466.3m in the prior year period. The prior year period includes revenue totalling £7.2m (current year period: £nil) from the WiFi business, that was disposed of within that year. Excluding this disposal, revenue growth from continuing operations was 5.0%.

Revenue for the Group's Terrestrial Broadcast business during the six month period ended 31 December 2017 was £239.4m, representing a 7.0% increase from £223.8m in the prior year period. This increase has been delivered as a result of the DAB rollout and increased activity thereon as well as RPI linked increases on broadcast contracts and increased activity in relation to the 700 MHz Clearance Programme.

Telecoms & M2M[1] revenues increased by 4.4% from £167.4m to £174.7m year on year. Growth from continuing operations on a like for like basis was 9.1%. This growth was partly a result of increased revenue from the telecoms towers business due to additional site assignments, upgrades to existing sites and contract indexation. M2M revenues also contributed to this increase, with further revenues from setup charges and change requests following Go-Live of the smart metering energy contract.

Satellite and Media revenues decreased by 9.6% from £75.1m to £67.9m year on year. The decrease was driven by the continuing impact of exiting low margin contracts and negative foreign exchange movements. These decreases were, however, partially offset by the rollout of new HD channel sales within the UK DTH business.

Gross profit and operating profit before exceptionals

Gross profit was £311.5m, representing an 8.7% increase from £286.7m in the prior year period as a result of the above mentioned revenue growth, changes in product mix and improvements in the efficiency of service delivery, partly as a result of the FutureFit efficiency programme.

Other operating expenses before exceptional items were £55.5m, a 1.2% decrease from the prior year figure of £56.2m.

EBITDA

A key measure of the Group's financial performance is Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'). EBITDA is defined as operating profit, before the share of results from joint ventures and associates, profit or loss on the disposal of non-current assets, depreciation, amortisation, impairment, and exceptional operating expenses but including operational bank charges.

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

	Six months ended 31 December 2017 Unaudited £m	Six months ended 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating profit	158.7	149.6	291.1
Depreciation	79.2	70.8	141.6
Amortisation	7.5	4.1	12.6
Impairment	4.4	-	-
Exceptional operating expenses	8.0	6.4	29.5
Loss on disposal of property, plant and equipment	0.1	0.2	-
Share of results of associates and joint ventures	(0.2)	(0.1)	(0.3)
Other income	(1.6)	(0.3)	(1.1)
Other expenses	-	-	0.1
EBITDA	**256.1**	**230.7**	**473.5**

[1] For the avoidance of doubt, the Smart Metering machine-to-machine ('M2M') financials included in this report refer solely to the ABPL financials. They do not include any revenue earned outside of these junior and senior financing groups.

For the six months ended 31 December 2017 EBITDA for the Group pre-exceptional items was £256.1m, representing a 11.0% increase from £230.7m in the prior year period.

EBITDA for the Group after exceptional items charged to operating profit was £248.1m, an increase of 10.6% compared with the prior year period result of £224.3m, explained by the increase in gross profit resulting from the shift in sales mix, cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business.

Financial position

As at 31 December 2017 net liabilities for the Group were £1,565.5m, a decrease of 13.6% from £1,811.4m in the prior year. This improvement was as a result of the trading performance of the Group over this 12 month period and in particular the recognition of certain deferred tax assets in the period to 31 December 2017. The net liability position is primarily driven by the long term borrowings and derivative financial instruments held.

Cash flow

A key measure of the Group's financial performance is the net operating cash flow after capital expenditure and financial investment.

Operating cash flow after all capital and financial investment activities was £179.5m, compared to £163.3m in the prior year period, representing an improvement of 9.9%.

Net cash inflow from operating activities for the six month period ended 31 December 2017 was £259.6m compared to £217.4m, representing a 19.4% increase from the prior year period due to strong EBITDA and working capital inflows.

Net capital expenditure and financial investment in the six month period ended 31 December 2017 was £85.4m compared with £77.6m in the prior year period.

Whilst the Group's business is not seasonal in nature, its working capital movements are, with the Group historically collecting a proportion of its revenues in advance, particularly in the second half of the financial year.

Operational delivery
The Group has continued to meet its contractual milestones on key projects on time and to the required quality and continues to engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, which went live in late 2016. Various improvements to the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub;
- 700MHz Clearance, which has continued to meet operational milestones. As of 31 December 2017, work has been completed on 21 Main Station and 100 Relay airwork sites. Main Station groundworks have commenced on 24 sites and Relay groundworks have been completed at 52 sites; and
- The programme to increase UK DAB network coverage is nearing completion and is expected to be finished early in 2018. The Group engages closely with programme stakeholders to ensure any minor delays and remedial plans are actioned in a timely manner.

Other KPIs for the Group are the level of network availability across both TV and radio infrastructure. The Group's total level of network availability across both TV and radio infrastructure was 99.99% during the six months ended 31 December 2017 (six months to 31 December 2016: 99.99%).

Risks and uncertainties
There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30 June 2017, which is available from the Group's website at www.arqiva.com.

Investors in people
Arqiva holds an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business.

ISO certification
In 2014, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification in relation to its Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

Cyber security
Arqiva was recertified for the Cyber Security Essentials Scheme in January 2018. This is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since November 2016 and recertifies annually.

Going concern
The Group adopts the going concern basis in preparing these interim financial statements based on the future cash flow forecasts of the Group and available cash and facilities. The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

Future outlook
The Group will continue to invest in its core telecoms and broadcast infrastructure markets with a continued focus on operating these businesses more efficiently in order to deliver sustained growth in earnings. Net capital investment is anticipated to reduce in line with the phasing of expenditure on the Group's major capital programmes.

On behalf of the Board

M Parton

Mike Parton
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

22 February 2018

Consolidated interim income statement

		Six months ended 31 December 2017 Unaudited			Six months ended 31 December 2016 Unaudited			Year ended 30 June 2017 Audited		
	Note	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Revenue	7	482.0	-	482.0	466.3	-	466.3	941.3	-	941.3
Cost of sales		(170.5)	-	(170.5)	(179.6)	-	(179.6)	(353.5)	-	(353.5)
Gross profit		311.5	-	**311.5**	286.7	-	**286.7**	587.8	-	**587.8**
Depreciation	16	(79.2)	-	(79.2)	(70.8)	-	(70.8)	(141.6)	-	(141.6)
Amortisation	15	(7.5)	-	(7.5)	(4.1)	-	(4.1)	(12.6)	-	(12.6)
Impairment	15,16	(4.4)	-	(4.4)	-	-	-	-	-	-
Other operating expenses	8	(55.5)	(8.0)	(63.5)	(56.2)	(6.4)	(62.6)	(114.4)	(29.5)	(143.9)
Total operating expenses		(146.6)	(8.0)	(154.6)	(131.1)	(6.4)	(137.5)	(268.6)	(29.5)	(298.1)
Other income		1.6	-	1.6	0.3	-	0.3	1.1	-	1.1
Share of results of associates and joint ventures		0.2	-	0.2	0.1	-	0.1	0.3	-	0.3
Operating profit		166.7	(8.0)	**158.7**	156.0	(6.4)	**149.6**	320.6	(29.5)	**291.1**

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

		Six months ended 31 December 2017 Unaudited			Six months ended 31 December 2016 Unaudited			Year ended 30 June 2017 Audited		
	Note	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Operating profit		166.7	(8.0)	**158.7**	156.0	(6.4)	**149.6**	320.6	(29.5)	**291.1**
Finance income	9	0.8	-	0.8	0.3	-	0.3	3.7	-	3.7
Finance costs	10	(183.7)	-	(183.7)	(180.9)	-	(180.9)	(358.5)	-	(358.5)
Other gains and losses	8,11	26.5	0.1	26.6	(143.2)	(20.6)	(163.8)	(112.5)	(20.6)	(133.1)
Profit/(loss) before tax		10.3	(7.9)	**2.4**	(167.8)	(27.0)	**(194.8)**	(146.7)	(50.1)	**(196.8)**
Tax	12			233.0			(0.2)			(0.1)
Profit/(loss) for the period				**235.4**			**(195.0)**			**(196.9)**
Attributable to:										
Owners of the company				235.2			(195.0)			(197.1)
Non-controlling interest				0.2			-			0.2
				235.4			**(195.0)**			**(196.9)**

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

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Profit/(loss) for the period		**235.4**	**(195.0)**	**(196.9)**
Items that will not be reclassified subsequently to profit or loss				
Actuarial loss on defined benefit pension schemes (net of deferred tax where applicable)	27	(1.7)	(13.0)	(0.5)
		(1.7)	**(13.0)**	**(0.5)**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		0.7	(1.4)	(0.5)
		(1.0)	**(14.4)**	**(1.0)**
Total comprehensive income/(loss)		**234.4**	**(209.4)**	**(197.9)**
Attributable to:				
Owners of the Company		234.2	(209.4)	(198.1)
Non-controlling interest		0.2	-	0.2
Total comprehensive income/(loss)		**234.4**	**(209.4)**	**(197.9)**

Consolidated interim statement of financial position

	Note	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Non-current assets				
Goodwill	14	1,980.6	1,980.6	1,980.6
Other intangible assets	15	45.8	38.3	48.9
Property, plant and equipment	16	1,771.1	1,755.4	1,770.2
Deferred tax	18	225.0	-	-
Retirement benefits	27	8.0	-	7.1
Interest in associates and joint ventures		0.1	4.9	5.1
		4,030.6	**3,779.2**	**3,811.9**
Current assets				
Trade and other receivables	17	252.3	260.2	289.9
Cash and cash equivalents	19	34.2	33.0	35.6
		286.5	**293.2**	**325.5**
Total assets		**4,317.1**	**4,072.4**	**4,137.4**
Current liabilities				
Borrowings	21	(118.3)	(23.4)	(113.7)
Trade and other payables	20	(1,366.5)	(1,300.8)	(1,390.8)
Provisions	23	(3.5)	(3.7)	(18.8)
		(1,488.3)	**(1,327.9)**	**(1,523.3)**
Net current liabilities		**(1,201.8)**	**(1,034.7)**	**(1,197.8)**
Non-current liabilities				
Borrowings	21	(2,943.6)	(3,119.1)	(3,017.9)
Derivative financial instruments	22	(1,162.7)	(1,247.8)	(1,179.7)
Other payables (including accruals and deferred revenue)	20	(228.7)	(129.4)	(159.4)
Retirement benefits	27	-	(5.5)	-
Provisions	23	(59.3)	(54.1)	(57.0)
		(4,394.3)	**(4,555.9)**	**(4,414.0)**
Total liabilities		**(5,882.6)**	**(5,883.8)**	**(5,937.3)**
Net liabilities		**(1,565.5)**	**(1,811.4)**	**(1,799.9)**
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(1,495.6)	(1,739.5)	(1,729.1)
Capital contribution reserve		120.3	120.3	120.3
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(2.6)	(4.2)	(3.3)
Equity attributable to owners of the Company		(1,566.3)	(1,811.8)	(1,800.5)
Non-controlling interest		0.8	0.4	0.6
Total equity		**(1,565.5)**	**(1,811.4)**	**(1,799.9)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2018 and were signed on its behalf by:

M Parton

Mike Parton - Director

Consolidated statement of changes in equity

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2017	**0.1**	**120.3**	**(188.5)**	**(1,729.1)**	**(3.3)**	**(1,800.5)**	**0.6**	**(1,799.9)**
Profit for the period	-	-	-	235.2	-	235.2	0.2	235.4
Other comprehensive expense	-	-	-	(1.7)	0.7	(1.0)	-	(1.0)
Total comprehensive income	-	-	-	233.5	0.7	234.2	0.2	235.4
Balance at 31 December 2017	**0.1**	**120.3**	**(188.5)**	**(1,495.6)**	**(2.6)**	**(1,566.3)**	**0.8**	**(1,565.5)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2016	**0.1**	**120.3**	**(188.5)**	**(1,531.5)**	**(2.8)**	**(1,602.4)**	**0.4**	**(1,602.0)**
Loss for the period	-	-	-	(195.0)	-	(195.0)	-	(195.0)
Other comprehensive expense	-	-	-	(13.0)	(1.4)	(14.4)	-	(14.4)
Total comprehensive loss	-	-	-	(208.0)	(1.4)	(209.4)	-	(209.4)
Balance at 31 December 2016	**0.1**	**120.3**	**(188.5)**	**(1,739.5)**	**(4.2)**	**(1,811.8)**	**0.4**	**(1,811.4)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2016	**0.1**	**120.3**	**(188.5)**	**(1,531.5)**	**(2.8)**	**(1,602.4)**	**0.4**	**(1,602.0)**
Loss for the year	-	-	-	(197.1)	-	(197.1)	0.2	(196.9)
Other comprehensive expense	-	-	-	(0.5)	(0.5)	(1.0)	-	(1.0)
Total comprehensive loss	-	-	-	(197.6)	(0.5)	(198.1)	0.2	(197.9)
Balance at 30 June 2017	**0.1**	**120.3**	**(188.5)**	**(1,729.1)**	**(3.3)**	**(1,800.5)**	**0.6**	**(1,799.9)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Net cash inflow from operating activities	24	**259.6**	**217.4**	**489.7**
Investing activities				
Interest received		0.2	0.2	0.7
Interest element of finance lease rentals		(0.5)	(0.5)	(1.0)
Purchase of tangible assets		(84.4)	(77.4)	(151.0)
Purchase of intangible assets		(1.0)	(0.2)	(10.3)
Sale of subsidiary undertakings	13	-	23.6	23.2
Sale of investments	13	4.7	-	-
Loans to joint ventures		0.6	(0.1)	-
		(80.4)	**(54.4)**	**(138.4)**
Financing activities				
Repayment of external borrowings		(69.0)	(7.0)	(19.0)
Finance lease capital		(0.2)	(0.2)	(0.4)
Movement in borrowings		(69.2)	(7.2)	(19.4)
Interest paid		(111.4)	(117.0)	(236.9)
Debt issue costs and facility arrangement fees		-	(12.2)	(12.5)
Cash settlement of principal accretion on inflation-linked swaps		-	-	(53.4)
Cash flow on close out of swaps		-	(36.1)	(36.0)
Swap option sale proceeds		-	3.2	3.2
		(180.6)	**(169.3)**	**(355.0)**
Decrease in cash and cash equivalents	19	**(1.4)**	**(6.3)**	**(3.7)**

Notes to the financial statements

1 General information

This condensed consolidated interim financial information does not comprise statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2017 were approved by the board of directors on 11 September 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2017 can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

2 Directors' responsibilities

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

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

3 Basis of preparation

These financial statements for the six months ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2017.

4 Significant judgements and key estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and costs. Actual results may differ from these estimates.

In preparing these financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the statutory accounts for the year ended 30 June 2017.

The business is not subject to any significant seasonal trends affecting revenue, however the working capital movement is seasonal in nature due to the timing of invoicing and receipts from a number of large customers.

5 Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include purchase price risk, credit risk, liquidity risk, financing risk, interest rate risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects. A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions.

Purchase price risk

Energy is a major component of the Group's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements in excess of 12 months in advance.

Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.

Credit risk

The Group is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectable debts. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Liquidity risk

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 31 December 2017 the Group had £103.0m working capital facilities undrawn and £5.7m cash and short term deposits available to cover short term cash flow timing differences if required, together with an undrawn capital expenditure facility of £250.0m. In addition, the Group has a £250.0m liquidity facility available to cover senior interest payments and a £28.5m cash reserve to cover junior interest if required, both of which remain undrawn. Details of the debt maturity profile are provided in note 21.

Financing risk

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

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

Interest rate risk

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

Foreign exchange risk

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

6 Going concern

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

7 Revenue and segmental information

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

The following revenue was generated by the Group:

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Rendering of services	428.3	423.2	846.6
Engineering projects	49.1	37.5	83.0
Sale of goods	4.6	5.6	11.7
Total revenue	**482.0**	**466.3**	**941.3**

Segmental reporting

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

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

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

Six months to 31 December 2017 (Unaudited)	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**239.4**	**174.7**	**67.9**	**-**	**482.0**
Segment result* (EBITDA)	**176.3**	**87.4**	**15.4**	**(23.0)**	**256.1**
Depreciation and amortisation					(86.7)
Impairment					(4.4)
Loss on disposal of property, plant and equipment					(0.1)
Exceptional items					(8.0)
Share of results of associates and joint ventures					0.2
Other income					1.6
Operating profit					**158.7**
Finance income					0.8
Finance costs					(183.7)
Other gains and losses					26.6
Profit before tax					**2.4**

Six months to 31 December 2016 (Unaudited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	223.8	167.4	75.1	-	466.3
Segment result* (EBITDA)	164.1	70.0	17.2	(20.6)	230.7
Depreciation and amortisation					(74.9)
Loss on disposal of property, plant and equipment					(0.2)
Exceptional items					(6.4)
Share of result of joint venture and associates					0.1
Other income					0.3
Operating profit					149.6
Finance income					0.3
Finance costs					(180.9)
Other gains and losses					(163.8)
Loss before tax					(194.8)

Year ended 30 June 2017 (Audited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	449.0	345.4	146.9	-	941.3
Segment result* (EBITDA)	329.4	155.1	35.0	(46.0)	473.5
Depreciation and amortisation					(154.2)
Other expenditure					(0.1)
Exceptional items					(29.5)
Share of results of associates and joint ventures					0.3
Other income					1.1
Operating profit					291.1
Finance income					3.7
Finance costs					(358.5)
Other gains and losses					(133.1)
Loss before tax					(196.8)

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

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

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating profit	**158.7**	**149.6**	**291.1**
Depreciation	*79.2*	*70.8*	*141.6*
Amortisation	*7.5*	*4.1*	*12.6*
Impairment	*4.4*	-	-
Exceptional operating expenses	*8.0*	*6.4*	*29.5*
Loss on disposal of property, plant and equipment	*0.1*	*0.2*	-
Share of results of associates and joint ventures	*(0.2)*	*(0.1)*	*(0.3)*
Other income	*(1.6)*	*(0.3)*	*(1.1)*
Other expenses	-	-	*0.1*
EBITDA	**256.1**	**230.7**	**473.5**

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

	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Capital expenditure:					
For the six months ended 31 December 2017 (Unaudited)	41.8	27.5	3.9	12.2	**85.4**
For the six months ended 31 December 2016 (Unaudited)	17.4	41.9	5.9	12.4	**77.6**
For the year ended 30 June 2017 (Audited)	44.6	79.4	11.7	25.6	**161.3**

Geographical information

The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers.

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
UK	476.4	459.3	928.5
Continental Europe	4.3	4.2	8.4
Rest of World	1.3	2.8	4.4
Total revenue	**482.0**	**466.3**	**941.3**

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

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
UK	3,794.3	3,775.8	3,801.3
Continental Europe	2.5	2.7	2.7
Rest of World	0.8	0.7	0.8
Total non-current assets	**3,797.6**	**3,779.2**	**3,804.8**

8 Exceptional items

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

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating expenses			
Reorganisation and severance	(0.6)	(5.2)	(24.0)
Corporate finance activities	(7.4)	(1.2)	(5.5)
	(8.0)	(6.4)	(29.5)
Other gains and losses			
Loss on disposal of subsidiary (see note 13)	-	(5.2)	(5.2)
Profit on disposal of investment (see note 13)	0.1	-	-
Close out of swap arrangements	-	(15.4)	(15.4)
Total exceptional items	**(7.9)**	**(27.0)**	**(50.1)**

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

Corporate finance activity costs relate to costs associated with the shareholder strategic review.

Loss on disposal of subsidiary relates to the disposal of Arqiva WiFi Limited, a subsidiary undertaking of the Group that operated in non-core business areas, specifically certain WiFi contracts.

Profit on disposal of investment relates to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture.

Close out of swap arrangements represents the loss crystallised on interest rate swaps at the close out date (see note 22).

9 Finance income

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Bank deposits	0.1	0.2	0.4
Finance lease interest receivable	-	-	0.2
Other loans and interest receivable	0.7	0.1	3.1
Total finance income	**0.8**	**0.3**	**3.7**

10 Finance costs

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Interest on bank overdrafts and loans	49.1	53.5	101.1
Other loan interest	65.9	64.0	130.3
Bank and other loan interest	**115.0**	**117.5**	**231.4**
Amortisation of debt issue costs	4.8	7.4	13.0
Interest on obligations under finance leases	0.5	0.5	1.0
Interest payable to other group entities	50.6	45.7	93.2
Other interest	14.1	8.4	16.9
Total interest payable	**185.0**	**179.5**	**355.5**
Less amount included in the cost of qualifying assets	(3.5)	-	-
Unwinding of discount on provisions (see note 23)	2.2	1.4	3.0
Total finance costs	**183.7**	**180.9**	**358.5**

11 Other gains and losses

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Foreign exchange gain/(loss) on financing	9.5	(24.3)	(8.3)
Fair value gain/(loss) on derivative financial instruments (see note 22)	17.0	(118.9)	(104.2)
Other gains and losses	**26.5**	**(143.2)**	**(112.5)**
Exceptional loss on disposal of subsidiary	-	(5.2)	(5.2)
Exceptional profit on disposal of investments	0.1	-	-
Exceptional loss on close out of swap arrangements (see note 22)	-	(15.4)	(15.4)
Total other gains and losses	**26.6**	**(163.8)**	**(133.1)**

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

12 Tax

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
UK Corporation tax:			
- Current year	(8.1)	0.1	-
Current year overseas tax	0.1	0.1	0.1
Total current tax (credit)/charge	(8.0)	0.2	0.1
Deferred tax (see note 18):			
- Recognition of deferred tax asset	(225.0)	-	-
Total tax (credit)/charge for the period	**(233.0)**	**0.2**	**0.1**

The tax (credit)/charge on ordinary activities is recognised based on management's estimate of the weighted average annual corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2018 is 4.2% (the estimated tax rate used at 31 December 2016 was 0.1%), excluding one-off tax adjustments such as the recognition of deferred tax assets and payments for group relief. The rate is different to the statutory rate mainly due to the utilisation of previously unrecognised tax assets in the period.

The main rate of UK corporation tax was 19.0% during the period. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. UK deferred tax has been valued at 17.0% (31 December 2016: 18.0%; 30 June 2017: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

A deferred tax asset of £225.0m has been recognised in the period ended 31 December 2017 as a result of Finance (No. 2) Act 2017 being substantively enacted in the period. Changes in Finance (No. 2) Act 2017 result in the Group utilising its deferred tax assets in a foreseeable time period and therefore, in accordance with IAS 12, a deferred tax asset of £225.0m has been recognised as at 31 December 2017.

The current tax credit in the period ended 31 December 2017 represents group relief surrendered by companies within the Arqiva Broadcast Parent Limited group of consolidated companies to other companies within the Arqiva Group Limited corporation tax group. This group relief is paid for at the UK corporation tax rate of 19%.

There were no amounts relating to tax recognised in other comprehensive income.

13 Disposal of business

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents, of which £0.5m was classified within receivables at 31 December 2017 and has been received since the period end. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

On 1 November 2016, the Group sold its 100% interest in the ordinary share capital of Arqiva WiFi Limited, a subsidiary undertaking. The total gross consideration received was £25.2m, satisfied by cash and cash equivalents. The loss on disposal of £5.2m was recognised in other gains and losses as an exceptional item. The net cash inflow arising on the disposal, including disposal costs and cash and cash equivalents transferred was £23.2m.

	Arqiva WiFi Limited £m
Other intangibles	6.2
Property, plant and equipment	10.0
Trade and other receivables	7.3
Trade and other payables	(0.9)
Provisions	(0.8)
Attributable goodwill* (see note 14)	6.8
Net assets disposed (before cash and cash equivalents)	28.6
Cash and cash equivalents	0.4
Net assets disposed	**29.0**
Consideration satisfied by cash and cash equivalents	25.2
Costs of disposal	(1.6)
Cash and cash equivalents transferred on disposal	(0.4)
Net cash inflow from sale of subsidiary undertakings	**23.2**
Net assets disposed (before cash and cash equivalents)	(28.6)
Consideration receivable	0.2
Loss on disposal	**(5.2)**

The trading results of the disposed components of the WiFi business which were included in the consolidated income statement up to the date of disposal were as follows:

	Six months to 31 December 2017 Unaudited	Six months to 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Revenue	-	7.2	7.2
Cost of sales	-	(5.3)	(5.3)
Operating expenses	-	(1.9)	(1.9)
Operating profit	-	-	-

14 Goodwill

	£m
Cost:	
At 1 July and 31 December 2017	**1,981.0**
Accumulated impairment losses:	
At 1 July and 31 December 2017	**0.4**
Carrying amount:	
At 31 December 2017 (Unaudited)	**1,980.6**
At 31 December 2016 (Unaudited)	1,980.6
At 30 June 2017 (Audited)	1,980.6

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017	15.1	13.6	15.4	77.6	121.7
Additions	-	1.0	-	-	1.0
Transfers from AUC (note 16)	-	2.9	-	1.3	4.2
Disposals	-	(0.5)	-	(0.3)	(0.8)
At 31 December 2017	**15.1**	**17.0**	**15.4**	**78.6**	**126.1**
Accumulated amortisation and impairment					
At 1 July 2017	4.5	3.5	15.4	49.4	72.8
Charge for the period	0.7	1.5	-	5.3	7.5
Impairment	-	0.2	-	0.6	0.8
Disposals	-	(0.5)	-	(0.3)	(0.8)
At 31 December 2017	**5.2**	**4.7**	**15.4**	**55.0**	**80.3**
Carrying amount					
At 31 December 2017 (Unaudited)	**9.9**	**12.3**	**-**	**23.6**	**45.8**
At 31 December 2016 (Unaudited)	2.8	7.4	0.1	28.0	38.3
At 30 June 2017 (Audited)	10.6	10.1	-	28.2	48.9

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017	337.4	153.5	2,023.3	89.4	2,603.6
Additions	-	-	9.5	78.7	88.2
Completion of AUC	1.0	0.5	67.8	(69.3)	-
Transfers to other intangibles (note 15)	-	-	-	(4.2)	(4.2)
Reclassifications	(1.7)	-	1.7	-	-
Disposals	(0.3)	(0.2)	(20.0)	-	(20.5)
At 31 December 2017	**336.4**	**153.8**	**2,082.3**	**94.6**	**2,667.1**
Accumulated depreciation and impairment					
At 1 July 2017	36.2	56.6	740.6	-	833.4
Charge for the period	3.4	2.4	73.4	-	79.2
Impairment	-	-	3.6	-	3.6
Disposals	-	(0.2)	(20.0)	-	(20.2)
At 31 December 2017	**39.6**	**58.8**	**797.6**	**-**	**896.0**
Carrying amount					
At 31 December 2017 (Unaudited)	**296.8**	**95.0**	**1,284.7**	**94.6**	**1,771.1**
At 31 December 2016 (Unaudited)	301.1	97.5	1,274.3	82.5	1,755.4
At 30 June 2017 (Audited)	301.2	96.9	1,282.7	89.4	1,770.2

17 Trade and other receivables

	31 December 2017 Unaudited	31 December 2016 Unaudited	30 June 2017 Audited
	£m	£m	£m
Trade receivables	91.5	91.7	102.5
Amounts receivable from other group entities	37.5	35.4	42.7
Amounts receivable from joint ventures	-	0.6	0.6
Other receivables	6.0	0.3	5.6
Prepayments	51.3	67.8	64.6
Accrued income	63.9	62.1	71.7
Amounts receivable from finance lease receivables	2.1	2.3	2.2
	252.3	**260.2**	**289.9**

18 Deferred tax

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Deferred tax asset	225.0	-	-

A deferred tax asset of £225.0m has been recognised in the period ended 31 December 2017 as a result of Finance (No. 2) Act 2017 being substantively enacted in the period. Changes in Finance (No. 2) Act 2017 result in the Group utilising its deferred tax assets in a foreseeable time period and therefore, in accordance with IAS 12, a deferred tax asset of £225.0m has been recognised as at 31 December 2017.

The deferred tax asset of £225.0m comprises tax losses of £16.3m, derivative financial instruments of £164.6m, fixed asset temporary difference of £42.5m and other temporary differences of £1.6m.

19 Cash and cash equivalents

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Cash at bank	5.7	4.5	7.1
Restricted cash	28.5	28.5	28.5
Total cash and cash equivalents	**34.2**	**33.0**	**35.6**

The restricted cash balance relates to a reserve account required to cover one semi-annual interest payment on the £600.0m of junior bonds, which mature in 2020.

20 Trade and other payables

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Current			
Trade payables	59.2	50.9	49.4
Amounts payable to other group entities	1,036.3	946.3	993.8
Taxation and social security	28.1	30.2	22.9
Other payables	6.9	7.4	7.8
Accruals[1]	96.7	92.7	106.3
Deferred revenue	139.3	173.3	210.6
Total current trade and other payables	**1,366.5**	**1,300.8**	**1,390.8**
Non-Current			
Deferred revenue	228.7	129.4	159.4
Total non-current trade and other payables	**228.7**	**129.4**	**159.4**

[1] Historically reported to include accrued interest on third party debt (31 December 2016: £18.5m); this has been classified at 30 June 2017 and 31 December 2017 as a component of borrowings (see note 21), presented within current liabilities. The balance at 31 December 2016 includes £8.1m interest receivable under swap arrangements associated with the underlying financing.

21 Borrowings

		31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Within current liabilities:				
Finance lease obligations	Sterling denominated	0.4	0.4	0.4
Bank facility	Sterling denominated	37.0	23.0	86.0
Senior bonds and notes (amortising)	Sterling denominated	52.4	-	13.3
	US dollar denominated	9.3	-	-
Accrued interest on junior and senior financing[1]	Sterling denominated	19.2	-	14.0
Borrowings due within one year		**118.3**	**23.4**	**113.7**
Within non-current liabilities:				
Bank loans		**500.6**	**593.1**	**519.2**
- *Senior debt*	*Sterling denominated*	*505.0*	*600.0*	*525.0*
- *Issue costs*	*Sterling denominated*	*(4.4)*	*(6.9)*	*(5.8)*
Other loans		**2,385.4**	**2,468.0**	**2,440.9**
- *Senior bonds and notes*	*Sterling denominated*	*1,543.1*	*1,595.5*	*1,582.2*
	US dollar denominated	*256.1*	*291.3*	*275.1*
- *Junior bonds*	*Sterling denominated*	*600.0*	*600.0*	*600.0*
- *Issue costs*	*Sterling denominated*	*(13.8)*	*(18.8)*	*(16.4)*
Amounts payable to other group entities	Sterling denominated	**45.2**	**45.2**	**45.2**
Finance lease obligations	Sterling denominated	**12.4**	**12.8**	**12.6**
Borrowings due after more than one year		**2,943.6**	**3,119.1**	**3,017.9**
Analysis of total borrowings by currency:				
Sterling		2,796.5	2,851.2	2,856.5
US Dollar		265.4	291.3	275.1
Total borrowings		**3,061.9**	**3,142.5**	**3,131.6**

The majority of the balances within amounts payable to other group entities were formalised under a single subordinated loan agreement with the direct parent company which has a long term maturity date of 2033. These loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower.

The fair value of the senior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £1,022.7m (31 December 2016: £1,015.8m; 30 June 2017: £1,020.4m) whilst their carrying amount was £914.0m (31 December 2016: £914.0m; 30 June 2017: £914.0m).

The fair value of the junior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £627.0m (31 December 2016: £640.9m; 30 June 2017: £640.4m) whilst their carrying value was £600.0m (31 December 2016: £600.0m; 30 June 2016: £600.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £464.3m (31 December 2016: £458.0m; 30 June 2017: £476.0m) whilst their carrying amount was £428.4m (31 December 2016: £429.5m; 30 June 2017: £438.1m).

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

[1] Historically reported as part of accruals (note 20); this has been reclassified at 30 June 2017 and 31 December 2017 as a component of borrowings, presented within current liabilities. The balance at 31 December 2017 includes £7.0m (30 June 2017: £1.3m) interest receivable under swap arrangements associated with the underlying financing.

The weighted average interest rate of borrowings is 7.95% (31 December 2016: 7.88%; 30 June 2017: 7.94%).

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

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Borrowings fall due within:			
One year	99.1	23.4	99.7
One to five years	1,534.9	1,541.7	1,522.7
More than five years	1,426.9	1,603.1	1,517.4
Total	**3,060.9**	**3,168.2**	**3,139.8**

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

Senior debt includes a bank term loan (£135.0m outstanding) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan (£180.0m outstanding) with an expected maturity date of December 2023; a loan from the European Investment Bank (£190.0m outstanding) with an expected maturity date of June 2024 and capital expenditure and working capital facilities (£37.0m outstanding) with an expected maturity date of June 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £603.0m (31 December 2016: £617.0m; 30 June 2017: £554.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 5.

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

As at 31 December 2017, the Group has £914.0m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2018 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £518.5m of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2018 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has issued £398.5m of fixed rate US private placements in sterling and US dollar denominated notes. These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

Junior bonds of £600.0m represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 9.5% and are repayable in March 2020. These notes are listed on the Luxembourg Market and have interest cover and debt leverage covenants attached. The Group continues to comply with all covenant requirements.

22 Financial instruments

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

The weighted average interest rate of fixed rate financial liabilities at 31 December 2017 was 6.1% (31 December 2016: 6.1%; 30 June 2017: 6.1%). The weighted average period of funding was 5.4 years (31 December 2016: 6.3 years; 30 June 2017: 5.9 years).

Within the Group's financial liabilities were borrowings of £3,060.9m excluding issue costs and accrued interest (31 December 2016: £3,168.2m; 30 June 2017: £2,862.9m) (see note 21), which includes £1,060.5m (31 December 2016: £1,141.5m; 30 June 2017: £1,129.5m) with floating interest and the remainder with fixed interest (prior to hedging arrangements).

Derivative financial instruments
The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the period end, the Group held interest rate swaps with notional amounts of £1,023.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 7.02%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 21).

The Group has also entered into index linked swaps (notional amount of £1,312.5m) where it receives floating and pays fixed interest obligations to an average rate of 2.939% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in June. All of these instruments have a maturity date of April 2027, however £235.0m of these have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 31 December 2017 excluding the inflation swap principal accretion of £37.8m (31 December 2016: £24.7m; 30 June 2017: £nil), is a liability of £1,124.9m (31 December 2016: £1,223.1m; 30 June 2017: £1,179.7m). This fair value is calculated using a risk-adjusted discount rate.

Following the close-out in November 2016, the Group no longer holds any swap options.

Fair value hierarchy
Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps, swap options and cross-currency swaps (as disclosed below) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Interest rate swaps	(342.7)	(383.7)	(365.9)
Inflation-linked interest rate swaps (including principal accretion of £37.8m; 31 December 2016: £24.7m; 30 June 2017: £nil)	(836.8)	(907.7)	(843.0)
Cross-currency swaps	16.8	43.6	29.2
Total	**(1,162.7)**	**(1,247.8)**	**(1,179.7)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	26.6	(54.5)	(13.1)
- Attributable to changes in perceived credit risk	(9.6)	(79.8)	(91.1)
Exceptional loss recognised on close out of interest rate swaps (note 11)	-	-	(15.4)
Total profit/(loss) recognised in the income statement	**17.0**	**(134.3)**	**(119.6)**
Cash settlement of principal accretion on inflation-linked swaps	-	-	53.4
Net cash outflow on refinancing of interest rate swaps and swap options	-	32.8	32.8
Total change in fair value	**17.0**	**(101.5)**	**(33.4)**

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

23 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation and maintenance	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2017	0.8	53.3	15.6	4.9	1.2	75.8
Income statement expense	-	-	-	-	0.1	0.1
Unwind of discount (note 10)	-	2.1	-	0.1	-	2.2
Utilised	-	-	(14.6)	-	-	(14.6)
Released	-	-	(0.7)	-	-	(0.7)
At 31 December 2017 (Unaudited)	**0.8**	**55.4**	**0.3**	**5.0**	**1.3**	**62.8**
At 31 December 2016 (Unaudited)	1.3	50.6	-	4.9	1.0	57.8
At 30 June 2017 (Audited)	0.8	53.3	15.6	4.9	1.2	75.8

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Analysed as:			
Current	3.5	3.7	18.8
Non-current	59.3	54.1	57.0
	62.8	**57.8**	**75.8**

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating profit	158.7	149.6	291.1
Adjustments:			
Depreciation of property, plant and equipment	79.2	70.8	141.6
Amortisation of intangible assets	7.5	4.1	12.6
Impairment	4.4	-	-
Loss on disposal of property, plant and equipment	0.1	0.2	0.2
Other income	(1.6)	(0.2)	(1.1)
Share of results of associates and joint ventures	(0.2)	(0.1)	(0.3)
Operating cash flows before movements in working capital	**248.1**	**224.4**	**444.1**
Decrease / (increase) in receivables	33.7	10.4	(4.3)
(Decrease) / increase in payables	(6.7)	(13.9)	36.9
(Decrease) / increase in provisions	(15.4)	(3.4)	13.1
Cash generated from operating activities	**259.7**	**217.5**	**489.8**
Taxes paid	(0.1)	(0.1)	(0.1)
Net cash inflow from operating activities	**259.6**	**217.4**	**489.7**

Analysis of changes in net debt:

	Note	At 1 July 2017 £m	Cash flows £m	Non-cash changes** £m	At 31 December 2017 £m
Cash at bank and cash equivalents	19*	7.1	(1.4)	-	5.7
Amounts receivable from joint ventures	17	0.6	(0.6)	-	-
Amounts receivable from other group entities	17	42.7	-	(5.2)	37.5
Debt due within one year	21	(113.7)	49.2	(53.8)	(118.3)
Debt due after one year	21	(3,017.9)	20.0	54.3	(2,943.6)
Total		**(3,081.2)**	**67.2**	**(4.7)**	**(3,018.7)**

* This excludes the restricted cash balance of £28.5m relating to a reserve account (see note 19).

** Major non-cash changes include movements in intercompany balances representing interest charges rolled-up into loan capital, the movement in unamortised debt issue costs, the revaluation of US dollar denominated borrowings (see note 11) and the decreasing maturity of external debt.

25 Financial commitments and contingent liabilities

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

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

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Within one year	39.9	42.6	44.3
Within two to five years	4.8	4.9	4.8
Total capital commitments	**44.7**	**47.5**	**49.1**

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

26 Related party transactions

Balances and transactions between Group entities, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 27.

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

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

	Sale of goods and services			Purchase of goods and services		
	Six months to 31 December 2017 £m	Six months to 31 December 2016 £m	Year ended 30 June 2017 £m	Six months to 31 December 2017 £m	Six months to 31 December 2016 £m	Year ended 30 June 2017 £m
Associates	-	-	-	3.3	3.3	6.6
Joint ventures	1.7	1.7	3.3	1.1	1.1	2.2
Entities under common influence	8.7	15.8	27.4	0.8	6.0	8.1
Other group entities	12.5	0.7	32.7	-	-	-
	22.9	**18.2**	**63.4**	**5.2**	**10.4**	**16.9**

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

The Group received no dividends from associates and joint ventures in the current or comparative accounting periods.

As at 31 December 2017, the amount receivable from joint ventures was £nil (31 December 2016: £0.6m; 30 June 2017: £0.9m) and the amount payable to joint ventures was £0.2m (31 December 2016: £nil; 30 June 2017: £nil).

As at 31 December 2017, the amount receivable from associates was £0.1m (31 December 2016: £nil; 30 June 2017 £0.1m) and the amount payable to associates was £0.8m (31 December 2016: £0.3m; 30 June 2017: £nil). Interest received during the year from joint ventures was £nil (six months to 31 December 2016: £nil; year ended 30 June 2017: £0.1m) charged at rates between 12% and 20% of the outstanding balances.

As at 31 December 2017, the amount receivable from entities under common influence was £0.2m (31 December 2016: £6.1m; 30 June 2017: £0.2m).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 28) are set out in notes 17, 20 and 21.

27 Retirement benefits

Defined benefit scheme

In the period to 31 December 2017, the Group operated one defined benefit plan ('the Plan'), sponsored by Arqiva Limited. The defined benefit plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 20 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2014 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures. An updated triennial actuarial funding valuation at 30 June 2017 is currently in progress and it is expected that this will be completed over the coming months.

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

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Components of defined benefit finance income recognised in profit or loss	0.1	0.1	0.2
	0.1	**0.1**	**0.2**

The net interest item has been included within finance income (see note 9). All other items in the table above have been included in administrative expenses. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Return on Plan assets excluding Interest Income	8.4	14.1	18.7
Experience gains arising on the Plan's liabilities	-	-	1.0
Actuarial losses arising from changes in financial assumptions	(10.1)	(27.1)	(26.9)
Actuarial gains arising from changes in demographic assumptions	-	-	6.7
	(1.7)	**(13.0)**	**(0.5)**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan were as follows:

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Fair value of Plan assets	246.1	237.7	241.1
Present value of Plan liabilities	(238.1)	(243.2)	(234.0)
Surplus / (deficit)	**8.0**	**(5.5)**	**7.1**

28 Controlling parties

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

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

Arqiva Group Parent Limited

Registered number 08085794

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2017

Table of Contents

Interim financial report

The Directors of Arqiva Group Parent Limited, registered company number 08085794, ('the Company') and its subsidiaries ('the Group') provide the following interim financial report and condensed consolidated interim financial statements ('financial statements'), in respect of the six months ended 31 December 2017.

Cautionary statement

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

The risks and uncertainties referred to above include:

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

Business overview

Arqiva is one of the UK's leading communications infrastructure and media services providers. With significant investments in essential communications infrastructure, the Group is the leading independent telecom towers operator and the sole terrestrial broadcast network provider in the UK. The Group's core infrastructure business (comprising terrestrial broadcast, digital platforms, wireless site-share, smart metering and satellite infrastructure) generates predictable operating profits, supported by strong market positions, diverse revenue streams and long-life assets. A significant proportion of the Group's revenues come from long-term inflation-linked contracts. The Group had a contracted orderbook of £5.5bn as at 30 June 2017.

Recent Developments since 30 September 2017

Terrestrial Broadcast

Digital radio (DAB) rollout

The Group is progressing with the delivery of Commercial local DAB. In total Arqiva is delivering new transmitters or upgrades at 221 sites and as at 31 December 2017 work had been completed at 218. The final sites for this phase will be completed by the end of March 2018, taking local DAB coverage to over 91%.

Arqiva's long term strategy of supporting DAB digital radio take-up continues to show positive results. More than six in ten people in the UK now have a DAB digital radio at home and Arqiva's DAB multiplexes show high utilisation levels driven by strong market demand. In September 2017, two channels of national capacity on SDL were advertised and subsequently sold.

700 MHz Clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Ofcom and industry stakeholders are implementing plans to clear the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned for use by the mobile network providers. This is a change that will be adopted across Europe, Africa, the Middle East and central Asia.

The Group is contracted with the major broadcasters and Ofcom for the delivery of the programme. Arqiva is responsible for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery is progressing well and Arqiva continues to earn revenues and generate cashflows. All Clearance events that were scheduled in 2017 were completed as planned. The programme has a sequence of events through to early 2020.

<u>*Telecoms & M2M*</u>

Smart energy metering rollout

Arqiva has rolled out a smart metering communication network in the North of England and Scotland as part of a 15-year contract with the Data and Communications Company (the 'DCC', a body licensed by statute and backed by the utility companies).

The Arqiva network is successfully transmitting and receiving messages between DCC users (the energy companies), and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots is continuing on the network and Arqiva has been supporting the DCC with their preparations, ahead of mass roll-out commencing mid-2018. The rollout of the Arqiva network is on track and currently covers 93% of premises in line with our contractual commitments.

Smart water metering rollout – Thames Water

Arqiva has a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The live service is delivering more than 5 million meter readings per day and there are now over 255,000 meters installed, an increase of circa 25,000 since the previous financial report. Following the excellent results achieved to date, Thames Water has taken the decision to accelerate the smart metering network deployment to realise the benefits of extended coverage several years earlier than originally planned. Arqiva is now targeting full network coverage across the entire Thames Water London region by the end of 2018.

Smart water metering trial contract wins – Anglian Water

Arqiva also has contracts with Anglian Water for the delivery and monitoring of smart water metering fixed network trials for the deployment and operation of new water meters in two regions. As at 31 December 2017, Arqiva had installed 6,100 meters out of 7,500 meters for the Newmarket, Suffolk region. For the second region, the Group had installed 9,000 meters out of the 12,000 meters required. The Group remains on track for its delivery milestones in both regions. These trials are part of Anglian Water's plans for a long-term smart metering programme.

4G rollout

The four Mobile Network Operators ('MNOs') continue to increase their 4G network coverage and Arqiva has been undertaking large volumes of antenna and feeder upgrade projects to facilitate this. The Group had completed 7,585 4G equipment upgrades across Arqiva sites up to 31st December 2017 since rollout began in 2014. Installation Services supports the Group's towers business where activity has been ramping up as the MNOs leverage Arqiva's estate and capability to help them achieve their 4G coverage requirements.

Other

Management changes

During the period Arqiva appointed Jeremy Mavor as Group General Counsel and David Crawford as Managing Director of the Telecoms & M2M business unit. Jeremy and David replace Michael Giles and Nicolas Ott respectively, who have decided to step down from their positions after a number of years of distinguished service. The Board thanks them for their contributions and wishes them well for the future.

Jeremy moves to the General Counsel role from his position as Head of Legal for finance and corporate matters. David Crawford will move from his post as Director of Satellite & Media and formally assume his new role from 1 April 2018. Alex Pannell (previously Commercial Director, Satellite and Media) will take up the leadership of the Satellite & Media business unit on an interim basis.

Credit ratings update

Ratings for both the senior (BBB: Fitch/S&P) and junior debt (B-/B3: Fitch/Moodys) have been affirmed by all respective rating agencies during the half year period. Most recently S&P completed their affirmation in December 2017 and Fitch revised their outlook from negative to stable at both senior and junior levels in July 2017.

Shareholder strategic review

In October 2017, Arqiva announced its intention to proceed with an initial public offering ("IPO"). Owing to unfavourable IPO market conditions, the Board and Arqiva's shareholders agreed that proceeding with the transaction was no longer in the best interests of the Company, and in November 2017, decided to postpone the IPO.

Arqiva's shareholders remain motivated by ensuring the company's best interests and continue to consider their options at this time.

Financial results

Revenue

For the six month period ended 31 December 2017 revenue for the Group was £482.0m, an increase of 3.4% from £466.3m in the prior year period. The prior year period includes revenue totalling £7.2m (current year period: £nil) from the WiFi business, that was disposed of within that year. Excluding this disposal, revenue growth from continuing operations was 5.0%.

Revenue for the Group's Terrestrial Broadcast business during the six month period ended 31 December 2017 was £239.4m, representing a 7.0% increase from £223.8m in the prior year period. This increase has been delivered as a result of the DAB rollout and increased activity thereon as well as RPI linked increases on broadcast contracts and increased activity in relation to the 700 MHz Clearance Programme.

Telecoms & M2M[1] revenues increased by 4.4% from £167.4m to £174.7m year on year. Growth from continuing operations on a like for like basis was 9.1%. This growth was partly a result of increased revenue from the telecoms towers business due to additional site assignments, upgrades to existing sites and contract indexation. M2M revenues also contributed to this increase, with further revenues from setup charges and change requests following Go-Live of the smart metering energy contract.

Satellite and Media revenues decreased by 9.6% from £75.1m to £67.9m year on year. The decrease was driven by the continuing impact of exiting low margin contracts and negative foreign exchange movements. These decreases were, however, partially offset by the rollout of new HD channel sales within the UK DTH business.

Gross profit and operating profit before exceptionals

Gross profit was £311.5m, representing an 8.7% increase from £286.7m in the prior year period as a result of the above mentioned revenue growth, changes in product mix and improvements in the efficiency of service delivery, partly as a result of the FutureFit efficiency programme.

Other operating expenses before exceptional items were £55.5m, a 1.2% decrease from the prior year figure of £56.2m.

EBITDA

A key measure of the Group's financial performance is Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'). EBITDA is defined as operating profit, before the share of results from joint ventures and associates, profit or loss on the disposal of non-current assets, depreciation, amortisation, impairment, and exceptional operating expenses but including operational bank charges.

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

	Six months ended 31 December 2017 Unaudited £m	Six months ended 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating profit	158.7	149.6	291.1
Depreciation	79.2	70.8	141.6
Amortisation	7.5	4.1	12.6
Impairment	4.4	-	-
Exceptional operating expenses	8.0	6.4	29.5
Loss on disposal of property, plant and equipment	0.1	0.2	-
Share of results of associates and joint ventures	(0.2)	(0.1)	(0.3)
Other income	(1.6)	(0.3)	(1.1)
Other expenses	-	-	0.1
EBITDA	**256.1**	**230.7**	**473.5**

[1] For the avoidance of doubt, the Smart Metering machine-to-machine ('M2M') financials included in this report refer solely to the AGPL financials. They do not include any revenue earned outside of these junior and senior financing groups.

For the six months ended 31 December 2017 EBITDA for the Group pre-exceptional items was £256.1m, representing a 11.0% increase from £230.7m in the prior year period.

EBITDA for the Group after exceptional items charged to operating profit was £248.1m, an increase of 10.6% compared with the prior year period result of £224.3m, explained by the increase in gross profit resulting from the shift in sales mix, cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business.

Financial position

As at 31 December 2017 net liabilities for the Group were £1,430.0m, a decrease of 15.6% from £1,693.9m in the prior year. This improvement was as a result of the trading performance of the Group over this 12 month period and in particular the recognition of certain deferred tax assets in the period to 31 December 2017. The net liability position is primarily driven by the long term borrowings and derivative financial instruments held.

Cash flow

A key measure of the Group's financial performance is the net operating cash flow after capital expenditure and financial investment.

Operating cash flow after all capital and financial investment activities was £179.5m, compared to £163.3m in the prior year period, representing an improvement of 9.9%.

Net cash inflow from operating activities for the six month period ended 31 December 2017 was £259.6m compared to £217.4m, representing a 19.4% increase from the prior year period due to strong EBITDA and working capital inflows.

Net capital expenditure and financial investment in the six month period ended 31 December 2017 was £85.4m compared with £77.6m in the prior year period.

Whilst the Group's business is not seasonal in nature, its working capital movements are, with the Group historically collecting a proportion of its revenues in advance, particularly in the second half of the financial year.

Operational delivery

The Group has continued to meet its contractual milestones on key projects on time and to the required quality and continues to engage with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, which went live in late 2016. Various improvements to the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub;
- 700MHz Clearance, which has continued to meet operational milestones. As of 31 December 2017, work has been completed on 21 Main Station and 100 Relay airwork sites. Main Station groundworks have commenced on 24 sites and Relay groundworks have been completed at 52 sites; and
- The programme to increase UK DAB network coverage is nearing completion and is expected to be finished early in 2018. The Group engages closely with programme stakeholders to ensure any minor delays and remedial plans are actioned in a timely manner.

Other KPIs for the Group are the level of network availability across both TV and radio infrastructure. The Group's total level of network availability across both TV and radio infrastructure was 99.99% during the six months ended 31 December 2017 (six months to 31 December 2016: 99.99%).

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 30 June 2017, which is available from the Group's website at www.arqiva.com.

Investors in people

Arqiva holds an 'Investors in People Gold Award'. This is the highest level of Investors in People recognition available. Achieving the Gold Award is an outstanding recognition of the commitment and hard work put in by many colleagues across the business.

ISO certification

In 2014, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification in relation to its Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires it to demonstrate the robustness of its security controls. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

Cyber security

Arqiva was recertified for the Cyber Security Essentials Scheme in January 2018. This is a government-backed, industry-supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since November 2016 and recertifies annually.

Going concern

The Group adopts the going concern basis in preparing these interim financial statements based on the future cash flow forecasts of the Group and available cash and facilities. The Directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

Future outlook

The Group will continue to invest in its core telecoms and broadcast infrastructure markets with a continued focus on operating these businesses more efficiently in order to deliver sustained growth in earnings. Net capital investment is anticipated to reduce in line with the phasing of expenditure on the Group's major capital programmes.

On behalf of the Board

M Parton

Mike Parton
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

22 February 2018

Consolidated interim income statement

	Note	Six months ended 31 December 2017 Unaudited			Six months ended 31 December 2016 Unaudited			Year ended 30 June 2017 Audited		
		Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Revenue	7	482.0	-	482.0	466.3	-	466.3	941.3	-	941.3
Cost of sales		(170.5)	-	(170.5)	(179.6)	-	(179.6)	(353.5)	-	(353.5)
Gross profit		311.5	-	**311.5**	286.7	-	**286.7**	587.8	-	**587.8**
Depreciation	16	(79.2)	-	(79.2)	(70.8)	-	(70.8)	(141.6)	-	(141.6)
Amortisation	15	(7.5)	-	(7.5)	(4.1)	-	(4.1)	(12.6)	-	(12.6)
Impairment	15,16	(4.4)	-	(4.4)	-	-	-	-	-	-
Other operating expenses	8	(55.5)	(8.0)	(63.5)	(56.2)	(6.4)	(62.6)	(114.4)	(29.5)	(143.9)
Total operating expenses		(146.6)	(8.0)	(154.6)	(131.1)	(6.4)	(137.5)	(268.6)	(29.5)	(298.1)
Other income		1.6	-	1.6	0.3	-	0.3	1.1	-	1.1
Share of results of associates and joint ventures		0.2	-	0.2	0.1	-	0.1	0.3	-	0.3
Operating profit		166.7	(8.0)	**158.7**	156.0	(6.4)	**149.6**	320.6	(29.5)	**291.1**

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

		Six months ended 31 December 2017 Unaudited			Six months ended 31 December 2016 Unaudited			Year ended 30 June 2017 Audited		
	Note	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Operating profit		166.7	(8.0)	**158.7**	156.0	(6.4)	**149.6**	320.6	(29.5)	**291.1**
Finance income	9	0.7	-	0.7	0.2	-	0.2	3.5	-	3.5
Finance costs	10	(174.8)	-	(174.8)	(172.5)	-	(172.5)	(340.8)	-	(340.8)
Other gains and losses	8,11	26.5	0.1	26.6	(143.2)	(20.6)	(163.8)	(112.5)	(20.6)	(133.1)
Profit / (loss) before tax		19.1	(7.9)	**11.2**	(159.5)	(27.0)	**(186.5)**	(129.2)	(50.1)	**(179.3)**
Tax	12			233.0			(0.2)			(0.1)
Profit / (loss) for the period				**244.2**			**(186.7)**			**(179.4)**
Attributable to:										
Owners of the company				244.0			(186.7)			(179.6)
Non-controlling interest				0.2			-			0.2
				244.2			**(186.7)**			**(179.4)**

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

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Profit/(loss) for the period		**244.2**	**(186.7)**	**(179.4)**
Items that will not be reclassified subsequently to profit or loss				
Actuarial loss on defined benefit pension schemes (net of deferred tax where applicable)	27	(1.7)	(13.0)	(0.5)
		(1.7)	**(13.0)**	**(0.5)**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		0.7	(1.4)	(0.5)
		(1.0)	**(14.4)**	**(1.0)**
Total comprehensive income/(loss)		**243.2**	**(201.1)**	**(180.4)**
Attributable to:				
Owners of the Company		243.0	(201.1)	(180.6)
Non-controlling interest		0.2	-	0.2
Total comprehensive income/(loss)		**243.2**	**(201.1)**	**(180.4)**

Consolidated interim statement of financial position

	Note	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Non-current assets				
Goodwill	14	1,980.6	1,980.6	1,980.6
Other intangible assets	15	45.8	38.3	48.9
Property, plant and equipment	16	1,771.1	1,755.4	1,770.2
Deferred tax	18	225.0	-	-
Retirement benefits	27	8.0	-	7.1
Interest in associates and joint ventures		0.1	4.9	5.1
		4,030.6	**3,779.2**	**3,811.9**
Current assets				
Trade and other receivables	17	252.1	260.2	289.8
Cash and cash equivalents	19	5.7	4.2	7.1
		257.8	**264.4**	**296.9**
Total assets		**4,288.4**	**4,043.6**	**4,108.8**
Current liabilities				
Borrowings	21	(104.0)	(23.4)	(99.2)
Trade and other payables	20	(1,360.5)	(1,294.7)	(1,391.9)
Provisions	23	(3.5)	(3.7)	(18.8)
		(1,468.0)	**(1,321.8)**	**(1,509.9)**
Net current liabilities		**(1,210.2)**	**(1,057.4)**	**(1,213.0)**
Non-current liabilities				
Borrowings	21	(2,799.7)	(2,978.9)	(2,876.0)
Derivative financial instruments	22	(1,162.7)	(1,247.8)	(1,179.7)
Other payables (including accruals and deferred revenue)	20	(228.7)	(129.4)	(159.4)
Retirement benefits	27	-	(5.5)	-
Provisions	23	(59.3)	(54.1)	(57.0)
		(4,250.4)	**(4,415.7)**	**(4,272.1)**
Total liabilities		**(5,718.4)**	**(5,737.5)**	**(5,782.0)**
Net liabilities		**(1,430.0)**	**(1,693.9)**	**(1,673.2)**
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(1,551.7)	(1,813.6)	(1,794.0)
Capital contribution reserve		311.9	311.9	311.9
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(2.6)	(4.2)	(3.3)
Equity attributable to owners of the Company		(1,430.8)	(1,694.3)	(1,673.8)
Non-controlling interest		0.8	0.4	0.6
Total equity		**(1,430.0)**	**(1,693.9)**	**(1,673.2)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 February 2018 and were signed on its behalf by:

M Parton

Mike Parton - Director

Consolidated statement of changes in equity

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2017	**0.1**	**311.9**	**(188.5)**	**(1,794.0)**	**(3.3)**	**(1,673.8)**	**0.6**	**(1,673.2)**
Profit for the period	-	-	-	244.0	-	244.0	0.2	244.2
Other comprehensive expense	-	-	-	(1.7)	0.7	(1.0)	-	(1.0)
Total comprehensive income	-	-	-	242.3	0.7	243.0	0.2	243.2
Balance at 31 December 2017	**0.1**	**311.9**	**(188.5)**	**(1,551.7)**	**(2.6)**	**(1,430.8)**	**0.8**	**(1,430.0)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2016	**0.1**	**311.9**	**(188.5)**	**(1,613.9)**	**(2.8)**	**(1,493.2)**	**0.4**	**(1,492.8)**
Loss for the period	-	-	-	(186.7)	-	(186.7)	-	(186.7)
Other comprehensive expense	-	-	-	(13.0)	(1.4)	(14.4)	-	(14.4)
Total comprehensive loss	-	-	-	(199.7)	(1.4)	(201.0)	-	(201.0)
Balance at 31 December 2016	**0.1**	**311.9**	**(188.5)**	**(1,813.6)**	**(4.2)**	**(1,694.3)**	**0.4**	**(1,693.9)**

	Share capital £m	Capital contribution reserve £m	Merger reserve £m	Accumulated losses £m	Translation reserve £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2016	**0.1**	**311.9**	**(188.5)**	**(1,613.9)**	**(2.8)**	**(1,493.2)**	**0.4**	**(1,492.8)**
Loss for the year	-	-	-	(179.6)	-	(179.6)	0.2	(179.4)
Other comprehensive expense	-	-	-	(0.5)	(0.5)	(1.0)	-	(1.0)
Total comprehensive loss	-	-	-	(180.1)	(0.5)	(180.5)	0.2	(180.4)
Balance at 30 June 2017	**0.1**	**311.9**	**(188.5)**	**(1,794.0)**	**(3.3)**	**(1,673.8)**	**0.6**	**(1,673.2)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Net cash inflow from operating activities	24	**259.6**	**217.4**	**489.7**
Investing activities				
Interest received		0.1	0.1	0.5
Interest element of finance lease rentals		(0.5)	(0.5)	(1.0)
Purchase of tangible assets		(84.4)	(77.4)	(151.0)
Purchase of intangible assets		(1.0)	(0.2)	(10.3)
Sale of subsidiary undertakings	13	-	23.6	23.2
Sale of investments	13	4.7	-	-
Loans to joint ventures		0.6	(0.1)	-
		(80.5)	**(54.5)**	**(138.6)**
Financing activities				
Repayment of external borrowings		(69.0)	(7.0)	(19.0)
Repayment of intercompany borrowings		(28.5)	(28.5)	(57.0)
Finance lease capital		(0.2)	(0.2)	(0.4)
Movement in borrowings		(97.7)	(35.7)	(76.4)
Interest paid		(82.8)	(88.4)	(179.4)
Debt issue costs and facility arrangement fees		-	(12.2)	(12.5)
Cash settlement of principal accretion on inflation-linked swaps		-	-	(53.4)
Cash flow on close out of swaps		-	(36.1)	(36.0)
Swap option sale proceeds		-	3.2	3.2
		(180.5)	**(169.2)**	**(354.5)**
Decrease in cash and cash equivalents	19	**(1.4)**	**(6.3)**	**(3.4)**

Notes to the financial statements

1 General information

This condensed consolidated interim financial information does not comprise statutory accounts as defined by section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2017 were approved by the board of directors on 11 September 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. A copy of the audited financial statements for the year ended 30 June 2017 can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

2 Directors' responsibilities

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

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

3 Basis of preparation

These financial statements for the six months ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2017.

4 Significant judgements and key estimations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and costs. Actual results may differ from these estimates.

In preparing these financial statements, the Group's accounting policies and the significant judgements made by management in applying key estimations were the same as those that applied to the statutory accounts for the year ended 30 June 2017.

The business is not subject to any significant seasonal trends affecting revenue, however the working capital movement is seasonal in nature due to the timing of invoicing and receipts from a number of large customers.

5 Financial risk management

The Group's operations expose it and the Company to a variety of financial risks that include purchase price risk, credit risk, liquidity risk, financing risk, interest rate risk and foreign exchange risk. The Group's risk management programme seeks to minimise potential adverse effects. A selection of the key business risks affecting the Group are set out below together with a summary of the Group's mitigating actions.

Purchase price risk

Energy is a major component of the Group's cost base. A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements in excess of 12 months in advance.

Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.

Credit risk

The Group is exposed to credit risk on customer receivables which is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectable debts. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Liquidity risk

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 31 December 2017 the Group had £103.0m working capital facilities undrawn and £5.7m cash and short term deposits available to cover short term cash flow timing differences if required, together with an undrawn capital expenditure facility of £250.0m. In addition, the Group has a £250.0m liquidity facility available to cover senior interest payments if required, which remains undrawn. Details of the debt maturity profile are provided in note 21.

Financing risk

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

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

Interest rate risk

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

Foreign exchange risk

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

6 Going concern

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

7 Revenue and segmental information

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

The following revenue was generated by the Group:

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Rendering of services	428.3	423.2	846.6
Engineering projects	49.1	37.5	83.0
Sale of goods	4.6	5.6	11.7
Total revenue	**482.0**	**466.3**	**941.3**

Segmental reporting

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

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

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

Six months to 31 December 2017 (Unaudited)	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**239.4**	**174.7**	**67.9**	**-**	**482.0**
Segment result* (EBITDA)	**176.3**	**87.4**	**15.4**	**(23.0)**	**256.1**
Depreciation and amortisation					(86.7)
Impairment					(4.4)
Loss on disposal of property, plant and equipment					(0.1)
Exceptional items					(8.0)
Share of results of associates and joint ventures					0.2
Other income					1.6
Operating profit					**158.7**
Finance income					0.7
Finance costs					(174.8)
Other gains and losses					26.6
Profit before tax					**11.2**

Six months to 31 December 2016 (Unaudited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	223.8	167.4	75.1	-	466.3
Segment result* (EBITDA)	164.1	70.0	17.2	(20.6)	230.7
Depreciation and amortisation					(74.9)
Loss on disposal of property, plant and equipment					(0.2)
Exceptional items					(6.4)
Share of result of joint venture and associates					0.1
Other income					0.3
Operating profit					149.6
Finance income					0.2
Finance costs					(172.5)
Other gains and losses					(163.8)
Loss before tax					(186.5)

Year ended 30 June 2017 (Audited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	449.0	345.4	146.9	-	941.3
Segment result* (EBITDA)	329.4	155.1	35.0	(46.0)	473.5
Depreciation and amortisation					(154.2)
Other expenditure					(0.1)
Exceptional items					(29.5)
Share of results of associates and joint ventures					0.3
Other income					1.1
Operating profit					291.1
Finance income					3.5
Finance costs					(340.8)
Other gains and losses					(133.1)
Loss before tax					(179.3)

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

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

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating profit	**158.7**	**149.6**	**291.1**
Depreciation	*79.2*	*70.8*	*141.6*
Amortisation	*7.5*	*4.1*	*12.6*
Impairment	*4.4*	-	-
Exceptional operating expenses	*8.0*	*6.4*	*29.5*
Loss on disposal of property, plant and equipment	*0.1*	*0.2*	-
Share of results of associates and joint ventures	*(0.2)*	*(0.1)*	*(0.3)*
Other income	*(1.6)*	*(0.3)*	*(1.1)*
Other expenses	-	-	*0.1*
EBITDA	**256.1**	**230.7**	**473.5**

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

	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Capital expenditure:					
For the six months ended 31 December 2017 (Unaudited)	41.8	27.5	3.9	12.2	**85.4**
For the six months ended 31 December 2016 (Unaudited)	17.4	41.9	5.9	12.4	**77.6**
For the year ended 30 June 2017 (Audited)	44.6	79.4	11.7	25.6	**161.3**

Geographical information

The geographic analysis of revenue is on the basis of the country of origin in which the customer is invoiced.

The following revenue was generated from external customers.

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
UK	476.4	459.3	928.5
Continental Europe	4.3	4.2	8.4
Rest of World	1.3	2.8	4.4
Total revenue	**482.0**	**466.3**	**941.3**

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

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
UK	3,794.3	3,775.8	3,801.3
Continental Europe	2.5	2.7	2.7
Rest of World	0.8	0.7	0.8
Total non-current assets	**3,797.6**	**3,779.2**	**3,804.8**

8 Exceptional items

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

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating expenses			
Reorganisation and severance	(0.6)	(5.2)	(24.0)
Corporate finance activities	(7.4)	(1.2)	(5.5)
	(8.0)	(6.4)	(29.5)
Other gains and losses			
Loss on disposal of subsidiary (see note 13)	-	(5.2)	(5.2)
Profit on disposal of investment (see note 13)	0.1	-	-
Close out of swap arrangements	-	(15.4)	(15.4)
Total exceptional items	**(7.9)**	**(27.0)**	**(50.1)**

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

Corporate finance activity costs relate to costs associated with the shareholder strategic review.

Loss on disposal of subsidiary relates to the disposal of Arqiva WiFi Limited, a subsidiary undertaking of the Group that operated in non-core business areas, specifically certain WiFi contracts.

Profit on disposal of investment relates to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture.

Close out of swap arrangements represents the loss crystallised on interest rate swaps at the close out date (see note 22).

9 Finance income

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Bank deposits	-	0.1	0.2
Finance lease interest receivable	-	-	0.2
Other loans and interest receivable	0.7	0.1	3.1
Total finance income	**0.7**	**0.2**	**3.5**

10 Finance costs

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Interest on bank overdrafts and loans	49.1	53.5	101.1
Other loan interest	37.4	35.5	73.2
Bank and other loan interest	**86.5**	**89.0**	**174.3**
Amortisation of debt issue costs	3.0	5.5	9.4
Interest on obligations under finance leases	0.5	0.5	1.0
Interest payable to other group entities	72.0	67.7	136.2
Other interest	14.1	8.4	16.9
Total interest payable	**176.1**	**171.1**	**337.8**
Less amount included in the cost of qualifying assets	(3.5)	-	-
Unwinding of discount on provisions (see note 23)	2.2	1.4	3.0
Total finance costs	**174.8**	**172.5**	**340.8**

11 Other gains and losses

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Foreign exchange gain/(loss) on financing	9.5	(24.3)	(8.3)
Fair value gain/(loss) on derivative financial instruments (see note 22)	17.0	(118.9)	(104.2)
Other gains and losses	**26.5**	**(143.2)**	**(112.5)**
Exceptional loss on disposal of subsidiary	-	(5.2)	(5.2)
Exceptional profit on disposal of investments	0.1	-	-
Exceptional loss on close out of swap arrangements (see note 22)	-	(15.4)	(15.4)
Total other gains and losses	**26.6**	**(163.8)**	**(133.1)**

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

12 Tax

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
UK Corporation tax:			
- Current year	(8.1)	0.1	-
Current year overseas tax	0.1	0.1	0.1
Total current tax (credit)/charge	(8.0)	0.2	0.1
Deferred tax (see note 18):			
- Recognition of deferred tax asset	(225.0)	-	-
Total tax (credit)/charge for the period	**(233.0)**	**0.2**	**0.1**

The tax (credit)/charge on ordinary activities is recognised based on management's estimate of the weighted average annual corporate income tax rate expected for the full financial year. The estimated average annual tax rate for the year to 30 June 2018 is 0.9% (the estimated tax rate used at 31 December 2016 was 0.1%), excluding one-off tax adjustments such as the recognition of deferred tax assets and payments for group relief. The rate is different to the statutory rate mainly due to the utilisation of previously unrecognised tax assets in the period.

The main rate of UK corporation tax was 19.0% during the period. In the Finance Act 2016 it was enacted that the main rate of UK corporation tax would be further reduced to 17.0% from 1 April 2020. UK deferred tax has been valued at 17.0% (31 December 2016: 18.0%; 30 June 2017: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

A deferred tax asset of £225.0m has been recognised in the period ended 31 December 2017 as a result of Finance (No. 2) Act 2017 being substantively enacted in the period. Changes in Finance (No. 2) Act 2017 result in the Group utilising its deferred tax assets in a foreseeable time period and therefore, in accordance with IAS 12, a deferred tax asset of £225.0m has been recognised as at 31 December 2017.

The current tax credit in the period ended 31 December 2017 represents group relief surrendered by companies within the Arqiva Broadcast Parent Limited group of consolidated companies to other companies within the Arqiva Group Limited corporation tax group. This group relief is paid for at the UK corporation tax rate of 19%.

There were no amounts relating to tax recognised in other comprehensive income.

13 Disposal of business

On 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents, of which £0.5m was classified within receivables at 31 December 2017 and has been received since the period end. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

On 1 November 2016, the Group sold its 100% interest in the ordinary share capital of Arqiva WiFi Limited, a subsidiary undertaking. The total gross consideration received was £25.2m, satisfied by cash and cash equivalents. The loss on disposal of £5.2m was recognised in other gains and losses as an exceptional item. The net cash inflow arising on the disposal, including disposal costs and cash and cash equivalents transferred was £23.2m.

	Arqiva WiFi Limited £m
Other intangibles	6.2
Property, plant and equipment	10.0
Trade and other receivables	7.3
Trade and other payables	(0.9)
Provisions	(0.8)
Attributable goodwill* (see note 14)	6.8
Net assets disposed (before cash and cash equivalents)	28.6
Cash and cash equivalents	0.4
Net assets disposed	**29.0**
Consideration satisfied by cash and cash equivalents	25.2
Costs of disposal	(1.6)
Cash and cash equivalents transferred on disposal	(0.4)
Net cash inflow from sale of subsidiary undertakings	**23.2**
Net assets disposed (before cash and cash equivalents)	(28.6)
Consideration receivable	0.2
Loss on disposal	**(5.2)**

The trading results of the disposed components of the WiFi business which were included in the consolidated income statement up to the date of disposal were as follows:

	Six months to 31 December 2017 Unaudited	Six months to 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Revenue	-	7.2	7.2
Cost of sales	-	(5.3)	(5.3)
Operating expenses	-	(1.9)	(1.9)
Operating profit	-	-	-

14 Goodwill

	£m
Cost:	
At 1 July and 31 December 2017	**1,981.0**
Accumulated impairment losses:	
At 1 July and 31 December 2017	**0.4**
Carrying amount:	
At 31 December 2017 (Unaudited)	**1,980.6**
At 31 December 2016 (Unaudited)	1,980.6
At 30 June 2017 (Audited)	1,980.6

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017	15.1	13.6	15.4	77.6	121.7
Additions	-	1.0	-	-	1.0
Transfers from AUC (note 16)	-	2.9	-	1.3	4.2
Disposals	-	(0.5)	-	(0.3)	(0.8)
At 31 December 2017	**15.1**	**17.0**	**15.4**	**78.6**	**126.1**
Accumulated amortisation and impairment					
At 1 July 2017	4.5	3.5	15.4	49.4	72.8
Charge for the period	0.7	1.5	-	5.3	7.5
Impairment	-	0.2	-	0.6	0.8
Disposals	-	(0.5)	-	(0.3)	(0.8)
At 31 December 2017	**5.2**	**4.7**	**15.4**	**55.0**	**80.3**
Carrying amount					
At 31 December 2017 (Unaudited)	**9.9**	**12.3**	**-**	**23.6**	**45.8**
At 31 December 2016 (Unaudited)	2.8	7.4	0.1	28.0	38.3
At 30 June 2017 (Audited)	10.6	10.1	-	28.2	48.9

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017	337.4	153.5	2,023.3	89.4	2,603.6
Additions	-	-	9.5	78.7	88.2
Completion of AUC	1.0	0.5	67.8	(69.3)	-
Transfers to other intangibles (note 15)	-	-	-	(4.2)	(4.2)
Reclassifications	(1.7)	-	1.7	-	-
Disposals	(0.3)	(0.2)	(20.0)	-	(20.5)
At 31 December 2017	**336.4**	**153.8**	**2,082.3**	**94.6**	**2,667.1**
Accumulated depreciation and impairment					
At 1 July 2017	36.2	56.6	740.6	-	833.4
Charge for the period	3.4	2.4	73.4	-	79.2
Impairment	-	-	3.6	-	3.6
Disposals	-	(0.2)	(20.0)	-	(20.2)
At 31 December 2017	**39.6**	**58.8**	**797.6**	**-**	**896.0**
Carrying amount					
At 31 December 2017 (Unaudited)	**296.8**	**95.0**	**1,284.7**	**94.6**	**1,771.1**
At 31 December 2016 (Unaudited)	301.1	97.5	1,274.3	82.5	1,755.4
At 30 June 2017 (Audited)	301.2	96.9	1,282.7	89.4	1,770.2

17 Trade and other receivables

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Trade receivables	91.5	91.7	102.5
Amounts receivable from other group entities	37.5	35.4	42.7
Amounts receivable from joint ventures	-	0.6	0.6
Other receivables	5.8	0.3	5.5
Prepayments	51.3	67.8	64.6
Accrued income	63.9	62.1	71.7
Amounts receivable from finance lease receivables	2.1	2.3	2.2
	252.1	**260.2**	**289.8**

18 Deferred tax

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Deferred tax asset	**225.0**	**-**	**-**

A deferred tax asset of £225.0m has been recognised in the period ended 31 December 2017 as a result of Finance (No. 2) Act 2017 being substantively enacted in the period. Changes in Finance (No. 2) Act 2017 result in the Group utilising its deferred tax assets in a foreseeable time period and therefore, in accordance with IAS 12, a deferred tax asset of £225.0m has been recognised as at 31 December 2017.

The deferred tax asset of £225.0m comprises tax losses of £16.3m, derivative financial instruments of £164.6m, fixed asset temporary difference of £42.5m and other temporary differences of £1.6m.

19 Cash and cash equivalents

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Cash at bank	5.7	4.2	7.1
Total cash and cash equivalents	**5.7**	**4.2**	**7.1**

20 Trade and other payables

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Current			
Trade payables	59.2	50.9	49.4
Amounts payable to other group entities	1,030.3	954.5	994.9
Taxation and social security	28.1	30.2	22.9
Other payables	6.9	7.4	7.8
Accruals[1]	96.7	78.4	106.3
Deferred revenue	139.3	173.3	210.6
Total current trade and other payables	**1,360.5**	**1,294.7**	**1,391.9**
Non-Current			
Deferred revenue	228.7	129.4	159.4
Total non-current trade and other payables	**228.7**	**129.4**	**159.4**

[1] Historically reported to include accrued interest on third party debt (31 December 2016: £4.1m); this has been classified at 30 June 2017 and 31 December 2017 as a component of borrowings (see note 21), presented within current liabilities. The balance at 31 December 2016 includes £8.1m interest receivable under swap arrangements associated with the underlying financing.

21 Borrowings

		31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Within current liabilities:				
Finance lease obligations	Sterling denominated	0.4	0.4	0.4
Bank facility	Sterling denominated	37.0	23.0	86.0
Senior bonds and notes (amortising)	Sterling denominated	52.4	-	13.3
	US dollar denominated	9.3	-	-
Accrued interest on senior financing[1]	Sterling denominated	4.9	-	(0.5)
Borrowings due within one year		**104.0**	**23.4**	**99.2**
Within non-current liabilities:				
Bank loans		**500.6**	**593.1**	**519.2**
- *Senior debt**	*Sterling denominated*	*505.0*	*600.0*	*525.0*
- *Issue costs*	*Sterling denominated*	*(4.4)*	*(6.9)*	*(5.8)*
Other loans		**1,789.9**	**1,876.2**	**1,847.4**
- *Senior bonds and notes*	*Sterling denominated*	*1,543.1*	*1,595.5*	*1,582.2*
	US dollar denominated	*256.1*	*291.3*	*275.1*
- *Issue costs*	*Sterling denominated*	(9.3)	(10.6)	(9.9)
Amounts payable to other group entities	Sterling denominated	**496.8**	**496.8**	**496.8**
Finance lease obligations	Sterling denominated	**12.4**	**12.8**	**12.6**
Borrowings due after more than one year		**2,799.7**	**2,978.9**	**2,876.0**
Analysis of total borrowings by currency:				
Sterling		2,638.3	2,711.0	2,700.1
US Dollar		265.4	291.3	275.1
Total borrowings		**2,903.7**	**3,002.3**	**2,975.2**

The majority of the balances within amounts payable to other group entities were formalised under a single subordinated loan agreement with the direct parent company which has a long-term maturity date of 2033. These loans cannot be recalled earlier than the final maturity date other than with the agreement of the borrower.

The fair value of the senior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £1,022.7m (31 December 2016: £1,015.8m; 30 June 2017: £1,020.4m) whilst their carrying amount was £914.0m (31 December 2016: £914.0m; 30 June 2017: £914.0m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £464.3m (31 December 2016: £458.0m; 30 June 2017: £476.0m) whilst their carrying amount was £428.4m (31 December 2016: £429.5m; 30 June 2017: £438.1m).

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

[1] Historically reported as part of accruals (note 20); this has been reclassified at 30 June 2017 and 31 December 2017 as a component of borrowings, presented within current liabilities. The balance at 31 December 2017 includes £7.0m (30 June 2017: £1.3m) interest receivable under swap arrangements associated with the underlying financing.

The weighted average interest rate of borrowings is 7.95% (31 December 2016: 7.88%; 30 June 2017: 7.94%).
An analysis of total borrowings (excluding issue costs and accrued interest) by maturity is as follows:

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Borrowings fall due within:			
One year	99.1	23.4	99.7
One to five years	924.8	941.7	922.7
More than five years	1,888.6	2,054.7	1,969.0
Total	**2,912.5**	**3,019.8**	**2,991.4**

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

Senior debt includes a bank term loan (£135.0m outstanding) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan (£180.0m outstanding) with an expected maturity date of December 2023; a loan from the European Investment Bank (£190.0m outstanding) with an expected maturity date of June 2024 and capital expenditure and working capital facilities (£37.0m outstanding) with an expected maturity date of June 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £603.0m (31 December 2016: £617.0m; 30 June 2017: £554.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 5.

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

As at 31 December 2017, the Group has £914.0m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2018 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

The remaining senior notes relate to a number of US private placement issues in both sterling and US dollars with fixed and floating interest rates. The Group has £518.5m of sterling denominated floating rate US private placements that are amortising in nature with repayments due between December 2018 and December 2029. These instruments have a margin over LIBOR of between 210 and 220 bps. In addition, the Group has issued £398.5m of fixed rate US private placements in sterling and US dollar denominated notes. These notes have fixed interest rates which range between 4.101% and 4.420% and have amortising repayment profiles commencing December 2018 with a final maturity date of June 2025. Arqiva PP Financing Plc ('APPF') is the issuer of all of the Group's private placement notes.

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

22 Financial instruments

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

The weighted average interest rate of fixed rate financial liabilities at 31 December 2017 was 6.1% (31 December 2016: 6.1%; 30 June 2017: 6.1%). The weighted average period of funding was 5.4 years (31 December 2016: 6.3 years; 30 June 2017: 5.9 years).

Within the Group's financial liabilities were borrowings of £2,912.5m excluding issue costs and accrued interest (31 December 2016: £2,984.8m; 30 June 2017: £2,975.6m) (see note 21), which includes £1,060.5m (31 December 2016: £1,141.5m; 30 June 2017: £1,129.5m) with floating interest and the remainder with fixed interest (prior to hedging arrangements).

Derivative financial instruments
The Group seeks to manage the exposures of its debt payment obligations through a combination of index linked, interest rate and cross currency swaps.

At the period end, the Group held interest rate swaps with notional amounts of £1,023.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 7.02%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 21).

The Group has also entered into index linked swaps (notional amount of £1,312.5m) where it receives floating and pays fixed interest obligations to an average rate of 2.939% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually in June. All of these instruments have a maturity date of April 2027, however £235.0m of these have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

The Group also holds USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the US dollar denominated private placement issue at an exchange rate of 1.52.

The fair value of the interest rate, inflation and cross currency swaps at 31 December 2017 excluding the inflation swap principal accretion of £37.8m (31 December 2016: £24.7m; 30 June 2017: £nil), is a liability of £1,124.9m (31 December 2016: £1,223.1m; 30 June 2017: £1,179.7m). This fair value is calculated using a risk-adjusted discount rate.

Following the close-out in November 2016, the Group no longer holds any swap options.

Fair value hierarchy
Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Interest rate swaps, inflation rate swaps, swap options and cross-currency swaps (as disclosed below) are all classed as level 2 on the fair value hierarchy. In each case the items are valued based upon discounted cash flow. Future cash flows are estimated based on forward (interest/inflation/exchange) rates observable from rates and yield curves at the end of the reporting period, and contract rates, discounted at a risk-adjusted rate.

The following table details the fair value of financial instruments recognised on the statement of financial position within non-current liabilities:

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Interest rate swaps	(342.7)	(383.7)	(365.9)
Inflation-linked interest rate swaps (including principal accretion of £37.8m; 31 December 2016: £24.7m; 30 June 2017: £nil)	(836.8)	(907.7)	(843.0)
Cross-currency swaps	16.8	43.6	29.2
Total	**(1,162.7)**	**(1,247.8)**	**(1,179.7)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	26.6	(54.5)	(13.1)
- Attributable to changes in perceived credit risk	(9.6)	(79.8)	(91.1)
Exceptional loss recognised on close out of interest rate swaps (note 11)	-	-	(15.4)
Total profit/(loss) recognised in the income statement	**17.0**	**(134.3)**	**(119.6)**
Cash settlement of principal accretion on inflation-linked swaps	-	-	53.4
Net cash outflow on refinancing of interest rate swaps and swap options	-	32.8	32.8
Total change in fair value	**17.0**	**(101.5)**	**(33.4)**

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

23 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation and maintenance	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2017	0.8	53.3	15.6	4.9	1.2	75.8
Income statement expense	-	-	-	-	0.1	0.1
Unwind of discount (note 10)	-	2.1	-	0.1	-	2.2
Utilised	-	-	(14.6)	-	-	(14.6)
Released	-	-	(0.7)	-	-	(0.7)
At 31 December 2017 (Unaudited)	**0.8**	**55.4**	**0.3**	**5.0**	**1.3**	**62.8**
At 31 December 2016 (Unaudited)	1.3	50.6	-	4.9	1.0	57.8
At 30 June 2017 (Audited)	0.8	53.3	15.6	4.9	1.2	75.8

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Analysed as:			
Current	3.5	3.7	18.8
Non-current	59.3	54.1	57.0
	62.8	**57.8**	**75.8**

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Operating profit	158.7	149.6	291.1
Adjustments:			
Depreciation of property, plant and equipment	79.2	70.8	141.6
Amortisation of intangible assets	7.5	4.1	12.6
Impairment	4.4	-	-
Loss on disposal of property, plant and equipment	0.1	0.2	0.2
Other income	(1.6)	(0.2)	(1.1)
Share of results of associates and joint ventures	(0.2)	(0.1)	(0.3)
Operating cash flows before movements in working capital	**248.1**	**224.4**	**444.1**
Decrease / (increase) in receivables	33.7	10.4	(4.3)
(Decrease) / increase in payables	(6.7)	(13.9)	36.9
(Decrease) / increase in provisions	(15.4)	(3.4)	13.1
Cash generated from operating activities	**259.7**	**217.5**	**489.8**
Taxes paid	(0.1)	(0.1)	(0.1)
Net cash inflow from operating activities	**259.6**	**217.4**	**489.7**

Analysis of changes in net debt:

	Note	At 1 July 2017 £m	Cash flows £m	Non-cash changes* £m	At 31 December 2017 £m
Cash at bank and cash equivalents	19	7.1	(1.4)	-	5.7
Amounts receivable from joint ventures	17	0.6	(0.6)	-	-
Amounts receivable from other group entities	17	42.7	-	1.9	44.6
Debt due within one year	21	(99.7)	49.2	(53.5)	(104.0)
Debt due after one year	21	(2,876.0)	20.0	56.3	(2,799.7)
Total		**(2,925.3)**	**67.2**	**4.7**	**(2,853.4)**

* Major non-cash changes include movements in intercompany balances representing interest charges rolled-up into loan capital, the movement in unamortised debt issue costs, the revaluation of US dollar denominated borrowings (see note 11) and the decreasing maturity of external debt..

25 Financial commitments and contingent liabilities

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

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

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Within one year	39.9	42.6	44.3
Within two to five years	4.8	4.9	4.8
Total capital commitments	**44.7**	**47.5**	**49.1**

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

26 Related party transactions

Balances and transactions between Group entities, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 27.

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

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

	Sale of goods and services			Purchase of goods and services		
	Six months to 31 December 2017 £m	Six months to 31 December 2016 £m	Year ended 30 June 2017 £m	Six months to 31 December 2017 £m	Six months to 31 December 2016 £m	Year ended 30 June 2017 £m
Associates	-	-	-	3.3	3.3	6.6
Joint ventures	1.7	1.7	3.3	1.1	1.1	2.2
Entities under common influence	8.7	15.8	27.4	0.8	6.0	8.1
Other group entities	12.5	0.7	32.7	-	-	-
	22.9	**18.2**	**63.4**	**5.2**	**10.4**	**16.9**

All transactions are on third-party terms and all outstanding balances, with the exception of the amount outstanding referenced below, are interest free, un-secured and are not subject to any financial guarantee by either party.

The Group received no dividends from associates and joint ventures in the current or comparative accounting periods.

As at 31 December 2017, the amount receivable from joint ventures was £nil (31 December 2016: £0.6m; 30 June 2017: £0.9m) and the amount payable to joint ventures was £0.2m (31 December 2016: £nil; 30 June 2017: £nil).

As at 31 December 2017, the amount receivable from associates was £0.1m (31 December 2016: £nil; 30 June 2017 £0.1m) and the amount payable to associates was £0.8m (31 December 2016: £0.3m; 30 June 2017: £nil). Interest received during the year from joint ventures was £nil (six months to 31 December 2016: £nil; year ended 30 June 2017: £0.1m) charged at rates between 12% and 20% of the outstanding balances.

As at 31 December 2017, the amount receivable from entities under common influence was £0.2m (31 December 2016: £6.1m; 30 June 2017: £0.2m).

Details of the balances the Group held with its immediate parent and other subsidiaries within the largest Group in which the Company and its subsidiaries consolidate (see note 28) are set out in notes 17, 20 and 21.

27 Retirement benefits

Defined benefit scheme
In the period to 31 December 2017, the Group operated one defined benefit plan ('the Plan'), sponsored by Arqiva Limited. The defined benefit plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 20 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2014 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures. An updated triennial actuarial funding valuation at 30 June 2017 is currently in progress and it is expected that this will be completed over the coming months.

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

	Six months to 31 December 2017 Unaudited £m	Six months to 31 December 2016 Unaudited £m	Year ended 30 June 2017 Audited £m
Components of defined benefit finance income recognised in profit or loss	0.1	0.1	0.2
	0.1	**0.1**	**0.2**

The net interest item has been included within finance income (see note 9). All other items in the table above have been included in administrative expenses. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Return on Plan assets excluding Interest Income	8.4	14.1	18.7
Experience gains arising on the Plan's liabilities	-	-	1.0
Actuarial losses arising from changes in financial assumptions	(10.1)	(27.1)	(26.9)
Actuarial gains arising from changes in demographic assumptions	-	-	6.7
	(1.7)	**(13.0)**	**(0.5)**

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit plan were as follows:

	31 December 2017 Unaudited £m	31 December 2016 Unaudited £m	30 June 2017 Audited £m
Fair value of Plan assets	246.1	237.7	241.1
Present value of Plan liabilities	(238.1)	(243.2)	(234.0)
Surplus / (deficit)	**8.0**	**(5.5)**	**7.1**

28 Controlling parties

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

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