Arqiva Broadcast Parent Limited

Registered number 08085823

Condensed Consolidated
Interim Financial Statements

For the six months ended 31 December 2018

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Interim financial report

The Directors of Arqiva Broadcast Parent Limited ('ABPL'), 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 2018.

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 earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts.

Recent Developments since 30 September 2018

<u>Terrestrial Broadcast and Satellite and Media</u>

As part of the Group's strategy to focus on the core markets and the implementation of its transformation programme to improve customer service and efficiencies, the Group is working to consolidate its Terrestrial Broadcast and Satellite & Media business units. These plans are being developed and progressed with the expectation of a new consolidated business unit created in the new financial year.

Additionally, the Group has reviewed its activities in these areas and will reduce its focus in the Playout and Occasional Use businesses. Both are relatively subscale with minimal contribution to the Group's overall earnings or cashflow. The Group will continue to support its existing playout customers over the remainder of their existing contracts but expects to be fully exited from this business line over the next couple of years subject to customer agreement. The Group's Occasional Use business will be refocussed to providing managed services including content acquisition, contribution and distribution (including OTT and VOD) and will move away from the uplinking and distribution of live events via satellite.

700 MHz Clearance and DTT spectrum
The 700 MHz Clearance project, which clears the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned by Ofcom and used for mobile data remains on track, with the overall programme expected to complete by late 2021. The Group continues to earn revenues and cashflows, which are expected to reduce beyond the current financial year, in line with the programme as delivery milestones are successfully complete. At 31 December 2018, 47% of Clearance events had been successfully completed. TV and radio services have been successfully transitioned from the

existing permanent antennas at the key Emley Moor transmitter station in Yorkshire, to a temporary mast to allow replacement of the permanent antenna. Emley Moor has the only temporary mast to be built as part of the programme, which at 310 metres will be one of the tallest structures in the UK whilst it is in place.

Digital Platforms channel utilisation
The Group continues to see high utilisation of its DTT multiplexes reflecting strong demand for the Freeview platform. As at 31 December 2018, the Group had capacity of 31 videostreams on its main (DVB-T) multiplexes, all of which were utilised.

Freeview mobile app
Digital UK and Freeview launched a mobile app on 22nd January which acts as a supporting service to access and showcase the range of content available on Freeview. It will support viewing outside of the home and on mobiles and tablets with streaming of live shows from Freeview channels and access to on demand content. Arqiva's Connect TV unit developed the application for Digital UK. This is part of Freeview's strategy to keep the platform modern and relevant.

Digital radio (DAB)
Arqiva's DAB multiplexes are fully utilised driven by strong market demand and ongoing investment by commercial radio broadcasters in this market. At the end of December 2018, the Sound Digital multiplex reached 100% utilisation following the launch of two Virgin Radio stations. This multiplex was launched in March 2016 and the attractiveness of DAB is demonstrated by capacity being fully sold since its launch. Furthermore, in the quarter ending December 2018 an additional 19 transmitters were switched on for the Sound Digital network, increasing its UK population coverage from 77% to 83%. Arqiva's other multiplex (Digital One) also remains fully utilised.

<u>Telecoms & M2M</u>

Sale of In-Building Solutions
The Group disposed of its In-Building Solutions (IBS) portfolio to Wireless Infrastructure Group (WIG). The disposal was part of Arqiva's focus on developing its core business of providing shared outdoor infrastructure and connectivity solutions to the Mobile Network Operators.

Small cells and pilot network
In December 2018, Arqiva and CityFibre revealed details of the UK's largest pilot of wholesale, 5G-ready small cell infrastructure.

The pilot project in the London Borough of Hammersmith & Fulham is creating a 15km high density fibre network, which provides the bandwidth for mobile network operators (MNOs) to explore advanced technology including 5G. The fibre network, will provide MNOs the ability to deploy small cells quickly and easily to connect businesses and residents to the ultra-fast 5G network.

Major customer contract
Our current contract with one of our major MNO customers is due to end on 31 December 2019. Negotiations to define our ongoing commercial relationship past this date, are proceeding.

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

The Arqiva network now covers 98% of premises, is planned to reach 99.25% by spring 2019 and then final coverage of 99.5% by summer 2020. DCC are also continuing to request support for change requests that reflect new industry requirements, but we expect these to reduce beyond the current financial year.

Separately, an industry wide upgrade to provide functionality required to extend connectivity to up to 95% of smart meters in consumers' premises was successfully completed in October 2018. The Group continues to support the preparations of the DCC and their users ahead of mass roll-out of SMETS2 meters which is expected during the first half of 2019.

Smart water metering rollout – Thames Water
Since April 2015, Arqiva has developed a smart metering network that enables the collection, management and transfer of metering data for Thames Water. As at 31 December 2018, the network comprised 97 sites out of the 107 required for full network across the entire Thames Water London region, with completion expected during spring 2019. There were over 357,000 meters installed to date and 7 million meter readings being delivered per day.

Smart water metering trial contracts – Anglian Water

Since June 2016, Arqiva has been operating smart water metering trials for Anglian Water in two of their regions. These trials are part of Anglian Water's strategy for a long-term smart metering programme. As at 31 December 2018, over 17,500 meters were operational under these trials. The delivery of our network has enabled Anglian to realise the significant benefits of improved leakage detection and consumer engagement whilst also informing their forward-looking business plans.

Financial results

The following table summarises the headline financials for the period:

	Six Months Ended 31 December		
	2018	2017	% Change
	(Unaudited) £ millions		
Terrestrial Broadcast	245.3	240.3	2.1%
Telecoms & M2M[1]	174.5	174.7	(0.1)%
Satellite and Media	63.1	67.9	(7.1)%
Total Group revenue	**482.9**	**482.9**	**0.0%**
Terrestrial Broadcast	181.4	177.2	2.4%
Telecoms & M2M	89.2	87.4	2.1%
Satellite and Media	13.9	15.4	(9.7)%
Other[2]	(23.9)	(23.0)	(3.9)%
Total EBITDA (excluding exceptional items)	**260.6**	**257.0**	**1.4%**
Net cash inflow from operating activities	205.0	259.6	(21.0)%
Net capital expenditure	(77.8)	(85.4)	(8.9)%
Net financial investment	6.8	5.3	28.3%
Operating cash flow after capital and financial investment activities	**134.0**	**179.5**	**25.3%**

Revenue

For the six month period ended 31 December 2018, revenue for the Group was £482.9m, consistent with the prior year. All revenue is from continuing operations.

Terrestrial Broadcast

Revenue for the Group’s Terrestrial Broadcast business during the six month period ended 31 December 2018 was £245.3m, representing a 2.1% increase from £240.3m in the prior year period. This increase has been delivered as a result of increased DAB activity as well as inflation linked increases on broadcast contracts, growth in digital platforms from high channel utilisation and a ramp up in activity in relation to the 700MHz Clearance programme.

The 700MHz Clearance programme is currently at its peak activity with revenues expected to reduce as the programme activity reduces over future financial years. A further increase is as a result of revenues of £1.3m from the Group’s Connected Solutions business, reported for the current year within Terrestrial Broadcast but in the comparative period included within Satellite and Media revenues.

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[1] For the avoidance of doubt, the Smart Metering machine-to-machine (‘M2M’) financials included in this report refer solely to the ABPL financials.

[2] “Other” refers to the Group’s corporate business unit, i.e. the Company’s finance, legal, HR and IT services.

Telecoms & M2M

Telecoms & M2M revenues remained broadly flat at £174.5m (31 December 2017: £174.7m). As previously indicated, revenues from lower margin Installation Services activity have reduced in line with lower activity as the 4G rollout reaches completion. These reductions have been replaced by revenues from our increased tower footprint and additional change request activity in our M2M business.

Satellite and Media

Revenue for the Satellite and Media business decreased by 7.1% from £67.9m to £63.1m year on year. The decrease was driven by the non-renewal of contracts and capacity reductions as well as the shift in the reporting of the Connected Solutions business now included within the Terrestrial Broadcast business. These decreases were, however, partially offset by the rollout of new HD channel sales within the UK DTH business.

EBITDA

For the six months ended 31 December 2018 EBITDA (as defined in Note 3) for the Group excluding exceptional items was £260.6m, representing a 1.4% increase from £257.0 in the prior year period. This increase is explained by the increase in gross profit resulting from improvements in product mix as explained above.

EBITDA for the Group including exceptional items charged to operating profit was £259.3m, an increase of 4.1% compared with the prior year period result of £249.0m.

Terrestrial Broadcast.

EBITDA for the Group's Terrestrial Broadcast business during the six month period ended 31 December 2018 was £181.4m, representing an 2.4% increase from £177.2m in the prior year period. The growth was mainly due to increased activities for DAB and the 700 MHz Clearance programme.

Telecoms & M2M

EBITDA for the Group's Telecoms & M2M business during the six month period ended 31 December 2018 was £89.2m, a 2.1% increase from the prior year figure of £87.4m. This has been driven by changes in sales mix with reductions in lower margin installation services being more than offset by increases in site share revenues as well as 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 2018 was £13.9m which was a 9.7% decrease from £15.4m in the prior year. The decrease is due to the revenue reduction described above and rationalisation of services.

Other

EBITDA for the Other business unit, which reflects the Group's corporate business unit, has seen costs increase from £23.0m to £23.9m. The movement versus the prior year period is reflective of increased staff costs as major programmes progress including IT operational and security spend.

Financial position

As at 31 December 2018 net liabilities for the Group were £1,562.0m, a decrease of 0.7% from £1,573.4m in the prior year. The net liability position is primarily driven by the long term borrowings and derivative financial instruments held.

Cash flow

A reconciliation of the reported EBITDA to net cash inflow from operating activities is provided below:

	Six months ended 31 December 2018 £m	Six months ended 31 December 2017 £m	Year ended 30 June 2018 £m
EBITDA	260.6	257.0	519.3
Exceptional items	(1.3)	(8.0)	(9.5)
Working capital	(54.2)	10.7	62.3
Other	(0.1)	(0.1)	-
Net cash inflow from operating activities	**205.0**	**259.6**	**572.1**

Net cash inflow from operating activities for the six month period ended 31 December 2018 was £205.0m compared to £259.6m for the prior year period, representing a 21.0% decrease. This decrease is as a result of a working capital outflow of £54.5m.

Whilst the Group's business is not seasonal in nature, its working capital movements are, with the Group historically collecting a proportion of revenues annually in advance in the second half of the financial year. Annual staff bonus payments are made in the first half of the year. The working capital outflow for the six months to 31 December 2018 was driven by utilisation of cash received from customers in advance (increasing deferred income) and timing of payments, typical with historical trends of the business. The inflow in the prior year period was due to one off additional deferred income recognised from Telecoms & M2M and Terrestrial Broadcast customers.

Net capital expenditure in the six month period ended 31 December 2018 was £77.8m compared with £85.4m in the prior year period. The overall decrease in net capital expenditure and financial investment compared with the prior year period was principally owing to decreased expenditure on significant capital projects such as the 700MHz clearance programme as it progresses.

Net financial investment in the six month period ended 31 December 2018 includes consideration received in respect of the assets and contracts of the Group's In-Building business.

Operating cash flow after all capital and financial investment activities was £134.0m, compared to £179.5m in the prior year period, representing a decrease of 25.3% principally driven by the changes in working capital flows.

Operational delivery

The Group continues to deliver projects and engages with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, where Release 2.0 went live in November 2018. Various improvements to the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub with Roll out expected in July 2019.

- 700MHz Clearance. As of 31 December 2018, work has been completed on 38 Main Station and 265 Relay airwork sites. Main Station groundworks have commenced on 40 sites, supporting 53 Main Station Clearance events, and Relay groundworks have been completed at 347 sites; and

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 2018 (six months ended 31 December 2017: 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 2018, 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 2013, 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 holds certification to ISO/IEC 27001:2013 and Cyber Essentials. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. Arqiva has held this certification since 2013 and re-certifies every three years. Cyber Essentials is a government-backed, industry-supported scheme to help organizations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since 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

Frank Dangeard
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

21 February 2019

Consolidated interim income statement

		Six months ended 31 December 2018 Unaudited			Six months ended 31 December 2017[1] Unaudited			Year ended 30 June 2018[1]		
	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	482.9	-	482.9	482.9	-	482.9	964.2	-	964.2
Cost of sales		(165.7)	-	(165.7)	(170.5)	-	(170.5)	(323.0)	-	(323.0)
Gross profit		317.2	-	317.2	312.4	-	**312.4**	641.2	-	641.2
Depreciation	16	(85.4)	-	(85.4)	(80.5)	-	(80.5)	(166.2)	-	(166.2)
Amortisation	15	(7.4)	-	(7.4)	(7.5)	-	(7.5)	(16.7)	-	(16.7)
Impairment		-	-	-	(4.4)	-	(4.4)	(4.4)	-	(4.4)
Other operating expenses	8	(56.6)	(1.3)	(57.9)	(55.5)	(8.0)	(63.5)	(121.8)	(9.5)	(131.3)
Total operating expenses		(149.4)	(1.3)	(150.7)	(147.9)	(8.0)	(155.9)	(309.1)	(9.5)	(318.6)
Other income		3.3	-	3.3	1.6	-	1.6	4.6	-	4.6
Share of results of associates and joint ventures		-	-	-	0.2	-	0.2	0.2	-	0.2
Operating profit		171.1	(1.3)	**169.8**	166.3	(8.0)	**158.3**	336.9	(9.5)	**327.4**

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

[1] Figures as at 31 December 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 Revenue from contracts with customers.

	Note	Six months ended 31 December 2018 Unaudited Pre-exceptional items £m	Exceptional items £m	Total £m	Six months ended 31 December 2017[1] Unaudited Pre-exceptional items £m	Exceptional items £m	Total £m	Year ended 30 June 2018[1] Pre-exceptional items £m	Exceptional items £m	Total £m
Operating profit		171.1	(1.3)	**169.8**	166.3	(8.0)	**158.3**	336.9	(9.5)	327.4
Finance income	9	1.1	-	1.1	0.8	-	0.8	2.0	-	2.0
Finance costs	10	(181.3)	-	(181.3)	(183.7)	-	(183.7)	(367.0)	-	(367.0)
Other gains and losses	8,11	(27.9)	-	(27.9)	26.5	0.1	26.6	92.3	0.1	92.4
(Loss) / profit before tax		(37.0)	(1.3)	**(38.3)**	9.9	(7.9)	**2.0**	64.2	(9.4)	54.8
Tax	12			(4.2)			234.7			210.5
(Loss) / profit for the period				**(42.5)**			**236.7**			**265.3**
Attributable to:										
Owners of the company				(42.7)			236.5			264.9
Non-controlling interest				0.2			0.2			0.4
				(42.5)			**236.7**			**265.3**

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

[1] Figures as at 31 December 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 Revenue from contracts with customers.

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
(Loss) / profit for the period		**(42.5)**	**236.7**	**265.3**
Items that will not be reclassified subsequently to profit or loss				
Actuarial (loss) / profit on defined benefit pension schemes (net of deferred tax where applicable)	27	(3.9)	(1.7)	10.8
Movement on deferred tax relating to pension schemes		0.7	-	(1.8)
		(3.2)	**(1.7)**	**9.0**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		(0.6)	0.7	0.2
		(3.8)	**(1.0)**	**9.2**
Total comprehensive (loss) / income		**(46.3)**	**235.7**	**274.5**
Attributable to:				
Owners of the Company		(46.5)	235.5	274.1
Non-controlling interest		0.2	0.2	0.4
Total comprehensive (loss) / income		**(46.3)**	**235.7**	**274.5**

Consolidated interim statement of financial position

	Note	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Non-current assets				
Goodwill	14	1,979.0	1,980.6	1,980.6
Other intangible assets	15	53.6	45.8	59.0
Property, plant and equipment	16	1,744.8	1,792.6	1,770.4
Deferred tax	18	204.9	226.7	207.8
Retirement benefits	27	22.9	8.0	20.6
Interest in associates and joint ventures		0.1	0.1	0.1
		4,005.3	**4,053.8**	**4,038.5**
Current assets				
Trade and other receivables	17	237.0	228.4	265.2
Cash and cash equivalents	19	9.8	34.2	38.8
		246.8	**262.6**	**304.0**
Total assets		**4,252.1**	**4,316.4**	**4,342.5**
Current liabilities				
Borrowings	21	(159.5)	(118.3)	(151.9)
Trade and other payables	20	(1,416.8)	(1,366.9)	(1,458.0)
Provisions	23	(2.7)	(3.5)	(2.8)
		(1,579.0)	**(1,488.7)**	**(1,612.7)**
Net current liabilities		**(1,332.2)**	**(1,226.1)**	**(1,308.8)**
Non-current liabilities				
Borrowings	21	(2,831.3)	(2,943.6)	(2,866.8)
Derivative financial instruments	22	(1,038.1)	(1,162.7)	(1,030.8)
Other payables (including accruals and deferred revenue)	20	(298.5)	(235.5)	(283.1)
Provisions	23	(67.2)	(59.3)	(64.8)
		(4,235.1)	**(4,401.1)**	**(4,245.5)**
Total liabilities		**(5,814.1)**	**(5,889.8)**	**(5,858.2)**
Net liabilities		**(1,562.0)**	**(1,573.4)**	**(1,515.7)**
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(1,510.3)	(1,503.5)	(1,464.4)
Capital contribution reserve		139.3	120.3	139.3
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(3.7)	(2.6)	(3.1)
Equity attributable to owners of the Company		(1,563.1)	(1,574.2)	(1,516.6)
Non-controlling interest		1.1	0.8	0.9
Total equity		**(1,562.0)**	**(1,573.4)**	**(1,515.7)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2019 and were signed on its behalf by:

Frank Dangeard - 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 2018	**0.1**	**139.3**	**(188.5)**	**(1,464.4)**	**(3.1)**	**(1,516.6)**	**0.9**	**(1,515.7)**
Loss for the period	-	-	-	(42.7)	-	(42.7)	0.2	(42.5)
Other comprehensive expense	-	-	-	(3.2)	(0.6)	(3.8)	-	(3.8)
Total comprehensive (loss)	-	-	-	(45.9)	(0.6)	(46.5)	0.2	(46.3)
Balance at 31 December 2018	**0.1**	**139.3**	**(188.5)**	**(1,510.3)**	**(3.7)**	**(1,563.1)**	**1.1**	**(1,562.0)**

	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 2017	**0.1**	**120.3**	**(188.5)**	**(1,738.3)**	**(3.3)**	**(1,809.7)**	**0.6**	**(1,809.1)**
Profit for the period	-	-	-	236.5	-	236.5	0.2	236.7
Other comprehensive expense	-	-	-	(1.7)	0.7	(1.0)	-	(1.0)
Total comprehensive income	-	-	-	234.8	0.7	235.5	0.2	235.7
Balance at 31 December 2017	**0.1**	**120.3**	**(188.5)**	**(1,503.5)**	**(2.6)**	**(1,574.2)**	**0.8**	**(1,573.4)**

	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 2017	**0.1**	**120.3**	**(188.5)**	**(1,738.3)**	**(3.3)**	**(1,809.7)**	**0.6**	**(1,809.1)**
Profit for the year	-	-	-	264.9	-	264.9	0.4	265.3
Other comprehensive income	-	-	-	9.0	0.2	9.2	-	9.2
Total comprehensive loss	-	-	-	273.9	0.2	274.1	0.4	274.5
Dividends paid	-	-	-	-	-	-	(0.1)	(0.1)
Capital Contribution	-	19.0	-	-	-	19.0	-	19.0
Balance at 30 June 2018	**0.1**	**139.3**	**(188.5)**	**(1,464.4)**	**(3.1)**	**(1,516.6)**	**0.9**	**(1,515.7)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Net cash inflow from operating activities	24	**205.0**	**259.6**	**572.1**
Investing activities				
Interest received		0.8	0.2	1.8
Interest element of finance lease rentals		(0.5)	(0.5)	(1.0)
Purchase of tangible assets		(76.6)	(84.4)	(161.4)
Purchase of intangible assets		(1.2)	(1.0)	(3.7)
Sale of tangible assets		6.8	-	0.3
Sale of subsidiary undertakings	13	-	-	-
Proceeds on disposal of investments	13	-	4.7	5.2
Loans to joint ventures		-	0.6	0.6
		(70.7)	**(80.4)**	**(158.2)**
Financing activities				
New loans		41.0	-	-
Repayment of external borrowings		(63.8)	(69.0)	(124.3)
Finance lease capital		(0.3)	(0.2)	(0.4)
Movement in borrowings		(23.1)	(69.2)	(124.7)
Interest paid		(119.8)	(111.4)	(227.4)
Debt issue costs and facility arrangement fees		(7.7)	-	-
Redemption premium paid		(14.3)	-	-
Cash settlement of principal accretion on inflation-linked swaps		-	-	(58.6)
Cash flow on redemption of swaps		1.6	-	-
		(163.3)	**(169.3)**	**(410.7)**
(Decrease)/increase in cash and cash equivalents	19	**(29.0)**	**(6.3)**	**3.2**

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 2018 were approved by the board of directors on 6 September 2018 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 2018 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 2018 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.

With the exception of IFRS15, the accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2018. IFRS 15 Revenue for contracts with customers was effective for the Group from 1 July 2018. Comparative information for 31 December 2017 and 30 June 2018 have been restated for consistency.

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 2018 £m	Six months ended 31 December 2017 £m	Year ended 30 June 2018 £m
Operating profit	169.8	158.3	327.4
Depreciation	85.4	80.5	166.2
Amortisation	7.4	7.5	16.7
Impairment	-	4.4	4.4
Exceptional operating expenses	1.3	8.0	9.5
Loss on disposal of property, plant and equipment	-	0.1	-
Share of results of associates and joint ventures	-	(0.2)	(0.2)
Other income	(3.3)	(1.6)	(4.6)
Other	-	-	(0.1)
EBITDA	**260.6**	**257.0**	**519.3**

Prior period restatement

IFRS 15
IFRS 15 Revenue from Contracts with Customers became effective for the Group in the current year. The new standard provides a more prescriptive framework toward revenue recognition and includes several clarifications to the interpretations of existing standards, focussing on the transfer of control of goods and services rather than the transfer of risks and rewards.

The impact assessment performed by the Group has identified the impact of the new standard will see changes to the revenue recognition profile of certain contracts within the Terrestrial Broadcast business unit. Comparative information in these financial statements for the 6 months ending 31 December 2017 and year ended 30 June 2018 have been restated to appropriately present the impact of the new standard.

The impact on initial recognition on the opening statement of financial position at 1 July 2017 has been recognised through retained earnings and has a net impact of £9.2m. The adjustment has impacted the EBITDA for the six months to 31 December 2017 by £0.9m, £0.4m impact to operating profit and £1.7m adjustment to the tax credit.

Change in presentation

Tax
The ABPL financial statements were approved by the Directors on 6 September 2018. Since that date, the financial statements of the Group's principal subsidiaries have been completed. This has identified changes to corporation tax legislation enacted in the period which means that the intra-group consequences of non-deductible finance costs would be best presented as a capital contribution. Accordingly, the taxation credit in the consolidated income statement for the year ended 30 June 2018 of £227.8m would be reduced by £19.0m.

This has been reflected in the comparatives in these financial statements as follows: the taxation credit in the consolidated income statement for the year ended 30 June 2018 has been decreased by £19.0 million to £208.8m; and an adjustment to reflect a capital contribution, of the amount of the intra group tax election, of £19.0m has been made to reserves in the consolidated statement of financial position at 30 June 2018.

This adjustment does not affect either the EBITDA or net assets of the AGPL consolidated or Company financial statements.

The below reconciles the amounts reported in the prior period to the restated comparatives.

	31 December 2017 Reported £m	Recognition and measurement differences £m	31 December 2017 Restated £m
Revenue	482.0	0.9	482.9
Depreciation	(79.2)	(1.3)	(80.5)
EBITDA	256.1	0.9	257.0
Tax credit	233.0	1.7	234.7
Net liabilities	(1,565.5)	(7.9)	(1,573.4)

	30 June 2018 Reported £m	Recognition and measurement differences £m	30 June 2018 Restated £m
Revenue	962.4	1.8	964.2
Depreciation	(163.7)	(2.5)	(166.2)
EBITDA	517.5	1.8	519.3
Tax credit	227.8	(17.3)	210.5
Net liabilities	(1,507.5)	(8.2)	(1,515.7)

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 2018.

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 2018 the Group had £69.0m working capital facilities undrawn and £9.8m 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 and accretion payments if required, which also 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 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Rendering of services	442.8	429.2	859.9
Engineering projects	34.7	49.1	95.1
Sale of goods	5.4	4.6	9.2
Total revenue	**482.9**	**482.9**	964.2

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 2018 (Unaudited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**245.3**	**174.5**	**63.1**	**-**	**482.9**
Segment result* (EBITDA)	**181.4**	**89.2**	**13.9**	**(23.9)**	**260.6**
Depreciation and amortisation					(92.8)
Exceptional items					(1.3)
Other income					3.3
Operating profit					**169.8**
Finance income					1.1
Finance costs					(181.3)
Other gains and losses					(27.9)
Loss before tax					**(38.3)**

Six months to 31 December 2017 (Unaudited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**240.3**	**174.7**	**67.9**	**-**	**482.9**
Segment result* (EBITDA)	**177.2**	**87.4**	**15.4**	**(23.0)**	**257.0**
Depreciation and amortisation					(88.0)
Impairment					(4.4)
Loss on disposal of property, plant and equipment					(0.1)
Exceptional items					(8.0)
Share of result of joint venture and associates					0.2
Other income					1.6
Operating profit					**158.3**
Finance income					0.8
Finance costs					(183.7)
Other gains and losses					26.6
Profit before tax					**2.0**

Year ended 30 June 2018	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**489.4**	**341.3**	**133.5**	**-**	**964.2**
Segment result* (EBITDA)	**362.6**	**178.1**	**33.8**	**(55.2)**	**519.3**
Depreciation and amortisation					(182.9)
Other operating income excluded from measuring EBITDA					0.1
Impairment					(4.4)
Exceptional items					(9.5)
Share of results of associates and joint ventures					0.2
Other income					4.6
Operating profit					**327.4**
Finance income					2.0
Finance costs					(367.0)
Other gains and losses					92.4
Profit before tax					**54.8**

*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 2018 Unaudited	Six months to 31 December 2017 Unaudited	Year ended 30 June 2018
	£m	£m	£m
Operating profit	**169.8**	**158.3**	**327.4**
Depreciation	*85.4*	*80.5*	*166.2*
Amortisation	*7.4*	*7.5*	*16.7*
Impairment	*-*	*4.4*	*4.4*
Exceptional operating expenses	*1.3*	*8.0*	*9.5*
Loss on disposal of property, plant and equipment	*-*	*0.1*	*-*
Share of results of associates and joint ventures	*-*	*(0.2)*	*(0.2)*
Other income	*(3.3)*	*(1.6)*	*(4.6)*
Other	*-*	*-*	*(0.1)*
EBITDA	**260.6**	**257.0**	**519.3**

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	Telecoms & M2M	Satellite and Media	Other	**Consolidated**
	£m	£m	£m	£m	**£m**
Capital expenditure:					
For the six months ended 31 December 2018 (Unaudited)	36.9	21.6	3.6	15.7	**77.8**
For the six months ended 31 December 2017 (Unaudited)	41.8	27.5	3.9	12.2	**85.4**
For the year ended 30 June 2018	73.2	48.9	10.2	32.8	**165.1**

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 2018 Unaudited £m	**Six months to 31 December 2017 Unaudited £m**	**Year ended 30 June 2018 £m**
UK	476.7	477.3	952.9
Continental Europe	4.2	4.3	8.6
Rest of World	2.0	1.3	2.7
Total revenue	**482.9**	**482.9**	964.2

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

	31 December 2018 Unaudited £m	**31 December 2017 Unaudited £m**	**30 June 2018 £m**
UK	3,774.2	3,794.3	3,786.5
Continental Europe	2.5	2.5	2.6
Rest of World	0.8	0.8	0.8
Total non-current assets	**3,777.5**	**3,797.6**	3,789.9

8 Exceptional items

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

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Operating expenses			
Reorganisation and severance	(3.6)	(0.6)	(1.8)
Corporate finance activities	0.3	(7.4)	(7.7)
Profit on disposal of assets	2.0	-	-
	(1.3)	**(8.0)**	**(9.5)**
Other gains and losses			
Profit on disposal of investment (see note 13)	-	0.1	0.1
Total exceptional items	**(1.3)**	**(7.9)**	(9.4)

Reorganisation and severance expenses include costs relating to delivery of the Group's transformation programme where Arqiva is streamlining processes, modernising its IT systems and right-sizing the business.

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

Profit on disposal of assets relates to the sale of non-core assets (and the associated contracts) for In-Building Solutions, which was sold in October 2018.

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

9 Finance income

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Bank deposits	0.3	0.1	0.5
Finance lease interest receivable	-	-	0.2
Other loans and interest receivable	0.7	0.7	1.3
Dividends received	0.1	-	-
Total finance income	**1.1**	**0.8**	**2.0**

10 Finance costs

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Interest on bank overdrafts and loans	46.3	49.1	97.1
Other loan interest	62.8	65.9	131.7
Bank and other loan interest	**109.1**	**115.0**	228.8
Amortisation of debt issue costs	5.0	4.8	10.2
Interest on obligations under finance leases	0.5	0.5	1.0
Interest payable to other group entities	55.7	50.6	102.6
Other interest	8.9	14.1	23.6
Total interest payable	**179.2**	**185.0**	366.2
Less amount included in the cost of qualifying assets	-	(3.5)	(3.5)
Unwinding of discount on provisions (see note 23)	2.1	2.2	4.3
Total finance costs	**181.3**	**183.7**	367.0

11 Other gains and losses

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Foreign exchange (loss)/gain on financing	(7.9)	9.5	2.0
Fair value (loss)/gain on derivative financial instruments (see note 22)	(5.7)	17.0	90.3
Redemption premium on refinancing	(14.3)	-	-
Other gains and losses	**(27.9)**	**26.5**	**92.3**
Exceptional profit on disposal of investments	-	0.1	0.1
Total other gains and losses	**(27.9)**	**26.6**	**92.4**

Foreign exchange (loss)/gain 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 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
UK Corporation tax:			
- Current year	0.6	(8.1)	(1.0)
Current year overseas tax	0.1	0.1	-
Total current tax charge / (credit)	0.7	(8.0)	(1.0)
Deferred tax (see note 18):			
- Origination and reversal of temporary differences	(6.0)	-	29.3
- Change in unrecognised deferred tax assets	9.5	-	(12.1)
- Recognition of deferred tax asset	-	(226.7)	(226.7)
Total deferred tax	3.5	(226.7)	(209.5)
Total tax charge / (credit) for the period	**4.2**	**(234.7)**	**(210.5)**

The tax charge/(credit) 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 2019 is 14.7% (the estimated tax rate used at 31 December 2017 was 0.3%), excluding one-off tax adjustments such as the recognition of a deferred tax asset, prior period adjustments and the allocation of interest expense which is not deductible. The rate is different to the statutory rate mainly due to permanent differences which are not tax deductible.

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 2017: 18.0%; 30 June 2018: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

A deferred tax asset of £226.7m 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 £226.7m has been recognised.

The current tax charge in the period ended 31 December 2018 represents payments for corporation tax group relief surrendered by other companies within the Arqiva Group Limited corporation tax group to companies within the Arqiva Broadcast Parent Limited group of consolidated companies. This group relief is paid for at the UK corporation tax rate of 19%.

The representation of the prior period comparatives reflects two factors: (i) the tax impact of the IFRS 15 adjustment which increases the recognition of the deferred tax asset in the six months to 31 December 2017 and the year ended 30 June 2018 by £1.7m; and (ii) the intra-group consequences of the non-deductible financial costs. The non-deductible finance costs are treated and presented as a capital contribution rather than a payment for tax losses provided by the Arqiva Broadcast Parent Ltd group of companies in the year ended 30 June 2018. Owing to these changes, there is an adjustment to the 30 June 2018 current year UK corporation tax credit of £19m (from £20.1m credit to £1.1m credit); there is no impact upon the reserves of the Arqiva Broadcast Parent Ltd group.

13 Disposal of business

In the prior year, on 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

14 Goodwill

	£m
Cost:	
At 1 July 2018	1,981.0
Disposals	(1.6)
At 31 December 2018	**1,979.4**
Accumulated impairment losses:	
At 1 July and 31 December 2018	**0.4**
Carrying amount:	
At 31 December 2018 (Unaudited)	**1,979.0**
At 31 December 2017 (Unaudited)	1,980.6
At 30 June 2018	1,980.6

The Group disposed of £1.6m of goodwill in association with the disposal of non-core areas of business.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2018	15.5	18.7	15.4	98.3	147.9
Additions	-	1.2	-	-	1.2
Completion of AUC	-	0.9	-	(0.1)	0.8
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2018	**15.5**	**20.8**	**15.4**	**98.1**	**149.8**
Accumulated amortisation					
At 1 July 2018	5.8	5.8	15.4	61.9	88.9
Charge for the period	0.7	1.1	-	5.6	7.4
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2018	**6.5**	**6.9**	**15.4**	**67.4**	**96.2**
Carrying amount					
At 31 December 2018 (Unaudited)	**9.0**	**13.9**	**-**	**30.7**	**53.6**
At 31 December 2017 (Unaudited)	9.9	12.3	-	23.6	45.8
At 30 June 2018	9.7	12.9	-	36.4	59.0

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 2018	337.9	152.6	2,122.5	109.3	2,722.3
Additions	-	-	7.2	64.5	71.7
Completion of AUC	3.7	0.4	75.7	(80.6)	(0.8)
Disposals	-	-	(22.2)	(1.4)	(23.6)
At 31 December 2018	**341.6**	**153.0**	**2,183.2**	**91.8**	**2,769.6**
Accumulated depreciation					
At 1 July 2018	42.4	59.6	849.9	-	951.9
Charge for the period	3.3	2.4	79.7	-	85.4
Disposals	-	-	(12.5)	-	(12.5)
At 31 December 2018	**45.7**	**62.0**	**917.1**	**-**	**1,024.8**
Carrying amount					
At 31 December 2018 (Unaudited)	**295.9**	**91.0**	**1,266.1**	**91.8**	**1,744.8**
At 31 December 2017 (Unaudited)	296.8	95.0	1,306.2	94.6	1,792.6
At 30 June 2018	295.5	93.0	1,272.6	109.3	1,770.4

17 Trade and other receivables

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018
	£m	£m	£m
Trade receivables	92.0	91.5	100.4
Amounts receivable from other group entities	46.2	37.5	44.8
Other receivables	7.5	6.0	7.9
Prepayments	64.1	51.3	69.5
Accrued income	25.4	40.0	40.6
Amounts receivable from finance lease arrangements	1.8	2.1	2.0
	237.0	**228.4**	**265.2**

18 Deferred tax

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Deferred tax asset	**208.8**	**226.7**	**211.3**
Deferred tax liability	**3.9**	**-**	**3.5**

A net deferred tax asset of £204.9m has been recognised in the period ended 31 December 2018, in accordance with IAS 12.

The net deferred tax asset of £204.9m comprises tax losses of £15.4m, derivative financial instruments of £147.6m, fixed asset temporary difference of £36.9m and other temporary differences of £5.0m.

The deferred tax asset at 31 December 2017 and 30 June 2018 has been restated to £226.7m from £225.0m (31 December 2017) and £211.3m from £209.5m (30 June 2018) as a result of the implementation of IFRS 15.

19 Cash and cash equivalents

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Cash at bank	6.9	5.7	6.2
Short term deposits	2.9	-	4.1
Restricted cash	-	28.5	28.5
Total cash and cash equivalents	**9.8**	**34.2**	**38.8**

20 Trade and other payables

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Current			
Trade payables	43.0	59.2	61.4
Amounts payable to other group entities	1,132.0	1,036.3	1,079.2
Taxation and social security	27.9	28.1	23.5
Other payables	11.1	6.9	18.1
Accruals	79.6	96.7	102.4
Deferred revenue	123.2	139.7	173.4
Total current trade and other payables	**1,416.8**	**1,366.9**	1,458.0
Non-Current			
Deferred revenue	298.5	235.5	283.1
Total non-current trade and other payables	**298.5**	**235.5**	**283.1**

21 Borrowings

		31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Within current liabilities:				
Finance lease obligations	Sterling denominated	0.7	0.4	0.7
Bank facility	Sterling denominated	71.0	37.0	55.0
Senior bonds and notes (amortising)	Sterling denominated	58.1	52.4	58.1
	US dollar denominated	19.7	9.3	19.1
Accrued interest on junior and senior financing[1]	Sterling denominated	10.0	19.2	19.0
Borrowings due within one year		**159.5**	**118.3**	**151.9**
Within non-current liabilities:				
Bank loans		**427.6**	**500.6**	**441.7**
- *Senior debt*	*Sterling denominated*	*430.0*	*505.0*	445.0
- *Issue costs*	*Sterling denominated*	*(2.4)*	*(4.4)*	(3.3)
Other loans		**2,346.6**	**2,385.4**	**2,367.5**
- *Senior bonds and notes*	*Sterling denominated*	*1,485.1*	*1,543.1*	1,524.1
	US dollar denominated	*251.5*	*256.1*	253.8
- *Junior bonds*	*Sterling denominated*	*625.0*	*600.0*	600.0
- *Issue costs*	*Sterling denominated*	*(15.0)*	*(13.8)*	(10.4)
Amounts payable to other group entities	Sterling denominated	**45.2**	**45.2**	**45.2**
Finance lease obligations	Sterling denominated	**11.9**	**12.4**	**12.4**
Borrowings due after more than one year		**2,831.3**	**2,943.6**	**2,866.8**
Analysis of total borrowings by currency:				
Sterling		2,719.7	2,796.5	2,745.8
US Dollar		271.2	265.4	272.9
Total borrowings		**2,990.9**	**3,061.9**	3,018.7

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 £965.4m (31 December 2017: £1,022.7m; 30 June 2018: £1,004.0m) whilst their carrying amount was £887.3m (31 December 2017: £914.0m; 30 June 2018: £900.7m).

The fair value of the junior quoted bonds based upon observable market prices (fair value hierarchy level 1) was £628.6m (31 December 2017: £627.0m; 30 June 2018: £627.7m) whilst their carrying value was £625.0m (31 December 2017: £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 £458.1m (31 December 2017: £464.3m; 30 June 2018: £464.4m) whilst their carrying amount was £434.1m (31 December 2017: £428.4m; 30 June 2018: £435.9m).

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

The weighted average interest rate of borrowings is 7.30% (31 December 2017: 7.95%; 30 June 2018: 7.89%).

[1] The balance at 31 December 2018 is shown net of £1.5m (31 December 2017: £6.9m; 30 June 2018 £7.3m) interest receivable under swap arrangements associated with the underlying financing.

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

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Borrowings fall due within:			
One year	149.5	99.1	132.9
One to five years	1,722.2	1,534.9	1,498.7
More than five years	1,126.5	1,426.9	1,381.8
Total	**2,998.2**	**3,060.9**	**3,013.4**

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 with £60.0m outstanding (31 December 2017: £135.0m; 30 June 2018: £75.0m) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan with £180.0m outstanding (31 December 2017: £180.0m; 30 June 2018: £180.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £190.0m outstanding (31 December 2017: £190.0m; 30 June 2018: £190.0m) with an expected maturity date of June 2024 and capital expenditure and working capital facilities with £71.0m outstanding (31 December 2017: £37.0m; 30 June 2018: £55.0m) 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 £569.0m (31 December 2017: £603.0m; 30 June 2018: £585.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 5.

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

As at 31 December 2018, the Group has £887.3m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds have scheduled amortisation between December 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 £498.5m (31 December 2017: £518.5m; 30 June 2018: £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 £384.6m (31 December 2017: £398.5m; 30 June 2018: £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 £625.0m (31 December 2017: £600m; 30 June 2018: £600m) represent amounts raised from the issuance of notes by Arqiva Broadcast Finance Plc. These notes have a fixed interest rate of 6.75% and are repayable in September 2023, having been refinanced in October 2018. 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 2018 was 5.3% (31 December 2017: 6.1%; 30 June 2018: 6.1%). The weighted average period of funding was 5.2 years (31 December 2017: 5.4 years; 30 June 2018: 5.0 years).

Within the Group's financial liabilities were borrowings of £2,998.2m excluding issue costs and accrued interest (31 December 2017: £3,060.9m; 30 June 2018: £2,999.6m) (see note 21), which includes £999.5m (31 December 2017: £1,060.5m; 30 June 2018: £1,018.5m) 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 £943.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.92%. 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 345.5m 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 2018 excluding the inflation swap principal accretion of £37.8m (31 December 2017: £37.8m; 30 June 2018: £nil), is a liability of £1,000.3m (31 December 2017: £1,124.9m; 30 June 2018: £1,030.8m). This fair value is calculated using a risk-adjusted discount rate.

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 2018 Unaudited £m	**31 December 2017 Unaudited £m**	**30 June 2018 £m**
Interest rate swaps	(274.2)	(342.7)	(297.7)
Inflation-linked interest rate swaps (including principal accretion of £37.8m; 31 December 2017: £37.8m; 30 June 2018: £nil)	(798.5)	(836.8)	(755.1)
Cross-currency swaps	34.6	16.8	22.0
Total	**(1,038.1)**	**(1,162.7)**	**(1,030.8)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	(11.4)	26.6	106.3
- Attributable to changes in perceived credit risk	4.1	(9.6)	(16.0)
Total profit/(loss) recognised in the income statement	**(7.3)**	**17.0**	**(90.3)**
Cash settlement of principal accretion on inflation-linked swaps	-	-	58.6
Cash flow on redemption of swaps	1.6	-	-
Total change in fair value	**(5.7)**	**17.0**	**148.9**

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

23 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation and maintenance	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2018	-	60.7	0.2	5.2	1.5	67.6
Additions created through property, plant and equipment	-	0.2	-	-	-	0.2
Unwind of discount (note 10)	-	1.9	-	0.2	-	2.1
Utilised	-	(0.1)	-	-	-	(0.1)
Released/charged to income statement	-	(0.2)	-	(0.2)	0.5	0.1
At 31 December 2018 (Unaudited)	**-**	**62.5**	**0.2**	**5.2**	**2.0**	**69.9**
At 31 December 2017 (Unaudited)	0.8	55.4	0.3	5.0	1.3	62.8
At 30 June 2018	-	60.7	0.2	5.2	1.5	67.6

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018
	£m	£m	£m
Analysed as:			
Current	2.7	3.5	2.8
Non-current	67.2	59.3	64.8
	69.9	**62.8**	67.6

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Operating profit	169.8	158.3	327.3
Adjustments:			
Depreciation of property, plant and equipment	85.4	80.5	166.2
Amortisation of intangible assets	7.4	7.5	16.7
Impairment	-	4.4	4.4
Loss on disposal of property, plant and equipment	-	0.1	0.1
Other income	(3.3)	(1.6)	(4.6)
Share of results of associates and joint ventures	-	(0.2)	(0.2)
Operating cash flows before movements in working capital	**259.3**	**249.0**	**509.9**
Decrease in receivables	32.0	33.0	4.6
(Decrease) / increase in payables	(85.9)	(6.9)	70.3
(Decrease) in provisions	(0.3)	(15.4)	(12.6)
Cash generated from operating activities	**205.1**	**259.7**	**572.2**
Taxes paid	(0.1)	(0.1)	(0.1)
Net cash inflow from operating activities	**205.0**	**259.6**	**572.1**

Analysis of changes in financial liabilities:

	At 1 July 2018 £m	Changes in financing cash flows (Cash) £m	Changes in foreign exchange (Non-cash) £m	Changes in fair value (Non-cash) £m	Other changes including accrued interest (Non-cash) £m	At 31 December 2018 £m
Current borrowings (Note 21)	(132.9)	33.2	-	-	(49.8)	(149.5)
Non-current borrowings (Note 21)	(2,866.8)	(2.3)	(7.9)	-	45.7	(2,831.3)
Accrued interest on borrowings (Note 21)	(19.0)	119.8	-	-	(110.8)	(10.0)
Derivative financial instrument Liabilities (Note 22)	(1,030.8)	(1.6)	-	(5.7)	-	(1,038.1)
Total	**(4,049.5)**	**149.1**	**(7.9)**	**(5.7)**	**(114.9)**	**(4,028.9)**

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 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Within one year	37.8	39.9	45.4
Within two to five years	0.1	4.8	2.4
Total capital commitments	**37.9**	**44.7**	**47.8**

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 2018 £m	Six months to 31 December 2017 £m	Year ended 30 June 2018 £m	Six months to 31 December 2018 £m	Six months to 31 December 2017 £m	Year ended 30 June 2018 £m
Associates	-	-	-	3.1	3.3	6.6
Joint ventures	1.7	1.7	3.5	1.1	1.1	2.3
Entities under common influence	-	8.7	0.9	0.2	0.8	0.7
Other group entities	29.2	12.5	40.0	-	-	-
	30.9	**22.9**	**44.4**	**4.4**	**5.2**	**9.6**

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

In addition, the Group received £0.1m (31 December 2017: £nil; 30 June 2018: £nil) of dividends from associates and joint ventures in which it holds an investment.

As at 31 December 2018, the amount receivable from joint ventures was £nil (31 December 2017: £nil and 30 June 2018: £nil) and the amount payable to joint ventures was £0.4m (31 December 2017: £0.2m; 30 June 2018: £nil).

As at 31 December 2018, the amount receivable from associates was £nil (31 December 2017: £0.1m; 30 June 2018 £nil) and the amount payable to associates was £0.2m (31 December 2017: £0.8m; 30 June 2018: £nil). Interest received during the year from joint ventures was £nil (six months to 31 December 2017: £nil; year ended 30 June 2018: £0.1m) charged at rates between 12% and 20% of the outstanding balances.

As at 31 December 2018, the amount receivable from entities under common influence was £0.2m (31 December 2017: £0.2m; 30 June 2018: £nil).

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 2018, 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 2017 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates from the triennial valuation figures.

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

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Components of defined benefit finance income recognised in profit or loss	(0.3)	(0.1)	(0.2)
	(0.3)	**(0.1)**	**(0.2)**

The net interest item has been included within finance income (see note 9). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Return on Plan assets excluding Interest Income	(8.4)	8.4	1.8
Experience gains arising on the Plan's liabilities	-	-	4.4
Actuarial gains/(losses) arising from changes in financial assumptions	4.5	(10.1)	3.3
Actuarial gains arising from changes in demographic assumptions	-	-	1.3
	(3.9)	**(1.7)**	**10.8**

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 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Fair value of Plan assets	230.6	246.1	239.0
Present value of Plan liabilities	(207.7)	(238.1)	(218.4)
Surplus	**22.9**	**8.0**	**20.6**

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 2018

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Interim financial report

The Directors of Arqiva Group Parent Limited ('AGPL'), 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 2018.

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 earnings, supported by strong market positions, diverse revenue streams, long-life assets and long-term inflation linked contracts.

Recent Developments since 30 September 2018

Terrestrial Broadcast and Satellite and Media

As part of the Group's strategy to focus on the core markets and the implementation of its transformation programme to improve customer service and efficiencies, the Group is working to consolidate its Terrestrial Broadcast and Satellite & Media business units. These plans are being developed and progressed with the expectation of a new consolidated business unit created in the new financial year.

Additionally, the Group has reviewed its activities in these areas and will reduce its focus in the Playout and Occasional Use businesses. Both are relatively subscale with minimal contribution to the Group's overall earnings or cashflow. The Group will continue to support its existing playout customers over the remainder of their existing contracts but expects to be fully exited from this business line over the next couple of years subject to customer agreement. The Group's Occasional Use business will be refocussed to providing managed services including content acquisition, contribution and distribution (including OTT and VOD) and will move away from the uplinking and distribution of live events via satellite.

700 MHz Clearance and DTT spectrum
The 700 MHz Clearance project, which clears the 700MHz band (694 MHz to 790 MHz) of DTT use so that it can be auctioned by Ofcom and used for mobile data remains on track, with the overall programme expected to complete by late 2021. The Group continues to earn revenues and cashflows, which are expected to reduce beyond the current financial year, in line with the programme as delivery milestones are successfully complete. At 31 December 2018, 47% of

Clearance events had been successfully completed. TV and radio services have been successfully transitioned from the existing permanent antennas at the key Emley Moor transmitter station in Yorkshire, to a temporary mast to allow replacement of the permanent antenna. Emley Moor has the only temporary mast to be built as part of the programme, which at 310 metres will be one of the tallest structures in the UK whilst it is in place.

Digital Platforms channel utilisation
The Group continues to see high utilisation of its DTT multiplexes reflecting strong demand for the Freeview platform. As at 31 December 2018, the Group had capacity of 31 videostreams on its main (DVB-T) multiplexes, all of which were utilised.

Freeview mobile app
Digital UK and Freeview launched a mobile app on 22nd January which acts as a supporting service to access and showcase the range of content available on Freeview. It will support viewing outside of the home and on mobiles and tablets with streaming of live shows from Freeview channels and access to on demand content. Arqiva's Connect TV unit developed the application for Digital UK. This is part of Freeview's strategy to keep the platform modern and relevant.

Digital radio (DAB)
Arqiva's DAB multiplexes are fully utilised driven by strong market demand and ongoing investment by commercial radio broadcasters in this market. At the end of December 2018, the Sound Digital multiplex reached 100% utilisation following the launch of two Virgin Radio stations. This multiplex was launched in March 2016 and the attractiveness of DAB is demonstrated by capacity being fully sold since its launch. Furthermore, in the quarter ending December 2018 an additional 19 transmitters were switched on for the Sound Digital network, increasing its UK population coverage from 77% to 83%. Arqiva's other multiplex (Digital One) also remains fully utilised.

<u>Telecoms & M2M</u>

Sale of In-Building Solutions
The Group disposed of its In-Building Solutions (IBS) portfolio to Wireless Infrastructure Group (WIG). The disposal was part of Arqiva's focus on developing its core business of providing shared outdoor infrastructure and connectivity solutions to the Mobile Network Operators.

Small cells and pilot network
In December 2018, Arqiva and CityFibre revealed details of the UK's largest pilot of wholesale, 5G-ready small cell infrastructure.

The pilot project in the London Borough of Hammersmith & Fulham is creating a 15km high density fibre network, which provides the bandwidth for mobile network operators (MNOs) to explore advanced technology including 5G. The fibre network, will provide MNOs the ability to deploy small cells quickly and easily to connect businesses and residents to the ultra-fast 5G network.

Major customer contract
Our current contract with one of our major MNO customers is due to end on 31 December 2019. Negotiations to define our ongoing commercial relationship past this date, are proceeding.

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

The Arqiva network now covers 98% of premises, is planned to reach 99.25% by spring 2019 and then final coverage of 99.5% by summer 2020. DCC are also continuing to request support for change requests that reflect new industry requirements, but we expect these to reduce beyond the current financial year.

Separately, an industry wide upgrade to provide functionality required to extend connectivity to up to 95% of smart meters in consumers' premises was successfully completed in October 2018. The Group continues to support the preparations of the DCC and their users ahead of mass roll-out of SMETS2 meters which is expected during the first half of 2019.

Smart water metering rollout – Thames Water
Since April 2015, Arqiva has developed a smart metering network that enables the collection, management and transfer of metering data for Thames Water. As at 31 December 2018, the network comprised 97 sites out of the 107 required for full network across the entire Thames Water London region, with completion expected during spring 2019. There were over 357,000 meters installed to date and 7 million meter readings being delivered per day.

Smart water metering trial contracts – Anglian Water

Since June 2016, Arqiva has been operating smart water metering trials for Anglian Water in two of their regions. These trials are part of Anglian Water's strategy for a long-term smart metering programme. As at 31 December 2018, over 17,500 meters were operational under these trials. The delivery of our network has enabled Anglian to realise the significant benefits of improved leakage detection and consumer engagement whilst also informing their forward-looking business plans.

Financial results

The following table summarises the headline financials for the period:

	Six Months Ended 31 December		
	2018	2017	% Change
	(Unaudited) £ millions		
Terrestrial Broadcast	245.3	240.3	2.1%
Telecoms & M2M[1]	174.5	174.7	(0.1)%
Satellite and Media	63.1	67.9	(7.1)%
Total Group revenue	**482.9**	**482.9**	**0.0%**
Terrestrial Broadcast	181.4	177.2	2.4%
Telecoms & M2M	89.2	87.4	2.1%
Satellite and Media	13.9	15.4	(9.7)%
Other[2]	(23.9)	(23.0)	(3.9)%
Total EBITDA (excluding exceptional items)	**260.6**	**257.0**	**1.4%**
Net cash inflow from operating activities	205.4	259.6	(21.1)%
Net capital expenditure	(77.8)	(85.4)	(8.9)%
Net financial investment	6.8	5.3	28.3%
Operating cash flow after capital and financial investment activities	**134.4**	**179.5**	**25.5%**

Revenue

For the six month period ended 31 December 2018, revenue for the Group was £482.9m, consistent with the prior year. All revenue is from continuing operations.

Terrestrial Broadcast

Revenue for the Group's Terrestrial Broadcast business during the six month period ended 31 December 2018 was £245.3m, representing a 2.1% increase from £240.3m in the prior year period. This increase has been delivered as a result of increased DAB activity as well as inflation linked increases on broadcast contracts, growth in digital platforms from high channel utilisation and a ramp up in activity in relation to the 700MHz Clearance programme. The 700MHz Clearance programme is currently at its peak activity with revenues expected to reduce as the programme activity reduces over future financial years. A further increase is as a result of revenues of £1.3m from the Group's Connected Solutions business, reported for the current year within Terrestrial Broadcast but in the comparative period included within Satellite and Media revenues.

[1] For the avoidance of doubt, the Smart Metering machine-to-machine ('M2M') financials included in this report refer solely to the AGPL financials.

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

Telecoms & M2M

Telecoms & M2M revenues remained broadly flat at £174.5m (31 December 2017: £174.7m). As previously indicated, revenues from lower margin Installation Services activity have reduced in line with lower activity as the 4G rollout reaches completion. These reductions have been replaced by revenues from our increased tower footprint and additional change request activity in our M2M business.

Satellite and Media

Revenue for the Satellite and Media business decreased by 7.1% from £67.9m to £63.1m year on year. The decrease was driven by the non-renewal of contracts and capacity reductions as well as the shift in the reporting of the Connected Solutions business now included within the Terrestrial Broadcast business. These decreases were, however, partially offset by the rollout of new HD channel sales within the UK DTH business.

EBITDA

For the six months ended 31 December 2018 EBITDA for the Group excluding exceptional items was £260.6m, representing a 1.4% increase from £257.0 in the prior year period. This increase is explained by the increase in gross profit resulting from improvements in product mix as explained above.

EBITDA for the Group including exceptional items charged to operating profit was £259.3m, an increase of 4.1% compared with the prior year period result of £249.0m.

Terrestrial Broadcast

EBITDA for the Group's Terrestrial Broadcast business during the six month period ended 31 December 2018 was £181.4m, representing an 2.4% increase from £177.2m in the prior year period. The growth was mainly due to increased activities for DAB and the 700 MHz Clearance programme.

Telecoms & M2M

EBITDA for the Group's Telecoms & M2M business during the six month period ended 31 December 2018 was £89.2m, a 2.1% increase from the prior year figure of £87.4m. This has been driven by changes in sales mix with reductions in lower margin installation services being more than offset by increases in site share revenues as well as 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 2018 was £13.9m which was a 9.7% decrease from £15.4m in the prior year. The decrease is due to the revenue reduction described above and rationalisation of services.

Other
EBITDA for the Other business unit, which reflects the Group's corporate business unit, has seen costs increase from £23.0m to £23.9m. The movement versus the prior year period is reflective of increased staff costs as major programmes progress including IT operational and security spend.

Financial position

As at 31 December 2018 net liabilities for the Group were £1,403.5m, a decrease of 2.4% from £1,437.9m in the prior year. The net liability position is primarily driven by the long term borrowings and derivative financial instruments held.

Cash flow

A reconciliation of the reported EBITDA to net cash inflow from operating activities is provided below:

	Six months ended 31 December 2018 £m	Six months ended 31 December 2017 £m	Year ended 30 June 2018 £m
EBITDA	260.6	257.0	519.3
Exceptional items	(1.3)	(8.0)	(9.5)
Working capital	(53.8)	10.7	62.3
Other	(0.1)	(0.1)	-
Net cash inflow from operating activities	**205.4**	**259.6**	**572.1**

Net cash inflow from operating activities for the six month period ended 31 December 2018 was £205.4m compared to £259.6m for the prior year period, representing a 20.9% decrease. This decrease is as a result of a working capital outflow of £53.8m.

Whilst the Group's business is not seasonal in nature, its working capital movements are, with the Group historically collecting a proportion of revenues annually in advance in the second half of the financial year. Annual staff bonus payments are made in the first half of the year. The working capital outflow for the six months to 31 December 2018 was driven by utilisation of deferred income and timing of payments, typical with historical trends of the business. The inflow in the prior year period was due to one off additional deferred income recognised from Telecoms & M2M and Terrestrial Broadcast customers.

Net capital expenditure in the six month period ended 31 December 2018 was £77.8m compared with £85.4m in the prior year period. The overall decrease in net capital expenditure and financial investment compared with the prior year period was principally owing to decreased expenditure on significant capital projects such as the 700MHz clearance programme as it progresses.

Net financial investment in the six month period ended 31 December 2018 includes consideration received in respect of the assets and contracts of the Group's In-Building business.

Operating cash flow after all capital and financial investment activities was £134.4m, compared to £179.5m in the prior year period, representing a decrease of 25.1% principally driven by the changes in working capital flows..

Operational delivery

The Group continues to deliver projects and engages with all contract stakeholders to meet future milestones. This includes:

- The Smart Metering M2M contract, where Release 2.0 went live in November 2018. Various improvements to the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub with Roll out expected in July 2019.

- 700MHz Clearance. As of 31 December 2018, work has been completed on 38 Main Station and 265 Relay airwork sites. Main Station groundworks have commenced on 40 sites, supporting 53 Main Station Clearance events, and Relay groundworks have been completed at 347 sites; and

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 2018 (six months ended 31 December 2017: 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 2018, 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 2013, 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 holds certification to ISO/IEC 27001:2013 and Cyber Essentials. ISO27001 is an internationally recognised specification for an information security management system (ISMS), a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes. Arqiva has held this certification since 2013 and re-certifies every three years. Cyber Essentials is a government-backed, industry-supported scheme to help organizations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since 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

Frank Dangeard
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

21 February 2019

Consolidated interim income statement

		Six months ended 31 December 2018 Unaudited			Six months ended 31 December 2017[1] Unaudited			Year ended 30 June 2018[1]		
	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	482.9	-	482.9	482.9	-	482.9	964.2	-	964.2
Cost of sales		(165.7)	-	(165.7)	(170.5)	-	(170.5)	(323.0)	-	(323.0)
Gross profit		317.2	-	**317.2**	312.4	-	**312.4**	641.2	-	641.2
Depreciation	16	(85.4)	-	(85.4)	(80.5)	-	(80.5)	(166.2)	-	(166.2)
Amortisation	15	(7.4)	-	(7.4)	(7.5)	-	(7.5)	(16.7)	-	(16.7)
Impairment		-	-	-	(4.4)	-	(4.4)	(4.4)	-	(4.4)
Other operating expenses	8	(56.6)	(1.3)	(57.9)	(55.5)	(8.0)	(63.5)	(121.8)	(9.5)	(131.3)
Total operating expenses		(149.4)	(1.3)	(150.7)	(147.9)	(8.0)	(155.9)	(309.1)	(9.5)	(318.6)
Other income		3.3	-	3.3	1.6	-	1.6	4.6	-	4.6
Share of results of associates and joint ventures		-	-	-	0.2	-	0.2	0.2	-	0.2
Operating profit		171.1	(1.3)	**169.8**	166.3	(8.0)	**158.3**	336.9	(9.5)	**327.4**

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

[1] Figures as at 31 December 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 Revenue from contracts with customers.

		Six months ended 31 December 2018 Unaudited			Six months ended 31 December 2017[1] Unaudited			Year ended 30 June 2018[1]		
	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		171.1	(1.3)	**169.8**	166.3	(8.0)	**158.3**	336.9	(9.5)	**327.4**
Finance income	9	0.9	-	0.9	0.7	-	0.7	1.7	-	1.7
Finance costs	10	(175.4)	-	(175.4)	(174.8)	-	(174.8)	(347.9)	-	(347.9)
Other gains and losses	8,11	(13.6)	-	(13.6)	26.5	0.1	26.6	92.3	0.1	92.4
(Loss) / profit before tax		(17.0)	(1.3)	**(18.3)**	18.7	(7.9)	**10.8**	83.0	(9.4)	**73.6**
Tax	12			(7.7)			234.7			207.0
(Loss)/ profit for the period				**(26.0)**			**245.5**			**280.6**
Attributable to:										
Owners of the company				(26.2)			245.3			280.2
Non-controlling interest				0.2			0.2			0.4
				(26.0)			**245.5**			**280.6**

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

[1] Figures as at 31 December 2017 and 30 June 2018 have been restated for the adoption of IFRS 15 Revenue from contracts with customers.

Consolidated interim statement of comprehensive income

	Note	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
(Loss) / profit for the period		**(26.0)**	**245.5**	**280.6**
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	(3.9)	(1.7)	10.8
Movement on deferred tax relating to pension schemes		0.7	-	(1.8)
		(3.2)	**(1.7)**	**9.0**
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		(0.6)	0.7	0.2
		(3.8)	**(1.0)**	**9.2**
Total comprehensive (loss)/income		**(29.8)**	**244.5**	**289.8**
Attributable to:				
Owners of the Company		(30.0)	244.3	289.4
Non-controlling interest		0.2	0.2	0.4
Total comprehensive (loss)/income		**(29.8)**	**244.5**	**289.8**

Consolidated interim statement of financial position

	Note	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Non-current assets				
Goodwill	14	1,979.0	1,980.6	1,980.6
Other intangible assets	15	53.6	45.8	59.0
Property, plant and equipment	16	1,744.8	1,792.6	1,770.4
Deferred tax	18	204.9	226.7	207.8
Retirement benefits	27	22.9	8.0	20.6
Interest in associates and joint ventures		0.1	0.1	0.1
		4,005.3	**4,053.8**	**4,038.5**
Current assets				
Trade and other receivables	17	249.8	228.3	279.3
Cash and cash equivalents	19	7.1	5.7	10.3
		256.9	**234.0**	**289.6**
Total assets		**4,262.2**	**4,287.8**	**4,328.1**
Current liabilities				
Borrowings	21	(148.8)	(104.0)	(137.3)
Trade and other payables	20	(1,445.1)	(1,361.0)	(1,462.6)
Provisions	23	(2.7)	(3.5)	(2.8)
		(1,596.6)	**(1,468.5)**	**(1,602.7)**
Net current liabilities		**(1,339.7)**	**(1,234.5)**	**(1,313.1)**
Non-current liabilities				
Borrowings	21	(2,665.3)	(2,799.7)	(2,720.4)
Derivative financial instruments	22	(1,038.1)	(1,162.7)	(1,030.8)
Other payables (including accruals and deferred revenue)	20	(298.5)	(235.5)	(283.1)
Provisions	23	(67.2)	(59.3)	(64.8)
		(4,069.1)	**(4,257.2)**	**(4,099.1)**
Total liabilities		**(5,665.7)**	**(5,725.7)**	**(5,701.8)**
Net liabilities		**(1,403.5)**	**(1,437.9)**	**(1,373.7)**
Equity				
Share capital		0.1	0.1	0.1
Accumulated losses		(1,543.4)	(1,559.6)	(1,514.0)
Capital contribution reserve		330.9	311.9	330.9
Merger reserve		(188.5)	(188.5)	(188.5)
Translation reserve		(3.7)	(2.6)	(3.1)
Equity attributable to owners of the Company		(1,404.6)	(1,438.7)	(1,374.6)
Non-controlling interest		1.1	0.8	0.9
Total equity		**(1,403.5)**	**(1,437.9)**	**(1,373.7)**

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2019 and were signed on its behalf by:

Frank Dangeard - 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 2018	**0.1**	**330.9**	**(188.5)**	**(1,514.0)**	**(3.1)**	**(1,374.6)**	**0.9**	**(1,373.7)**
Loss for the period	-	-	-	(26.2)	-	(26.2)	0.2	(26.0)
Other comprehensive expense	-	-	-	(3.2)	(0.6)	(3.8)	-	(3.8)
Total comprehensive loss	-	-	-	(29.4)	(0.6)	(30.0)	0.2	(29.8)
Balance at 31 December 2018	**0.1**	**330.9**	**(188.5)**	**(1,543.4)**	**(3.7)**	**(1,404.6)**	**1.1**	**(1,403.5)**

	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 2017	**0.1**	**311.9**	**(188.5)**	**(1,803.2)**	**(3.3)**	**(1,683.0)**	**0.6**	**(1,682.5)**
Profit for the period	-	-	-	245.3	-	245.3	0.2	245.5
Other comprehensive expense	-	-	-	(1.7)	0.7	(1.0)	-	(1.0)
Total comprehensive income	-	-	-	243.6	0.7	244.3	0.2	244.5
Balance at 31 December 2017	**0.1**	**311.9**	**(188.5)**	**(1,559.6)**	**(2.6)**	**(1,438.7)**	**0.8**	**(1,437.9)**

	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 2017	**0.1**	**311.9**	**(188.5)**	**(1,803.2)**	**(3.3)**	**(1,683.0)**	**0.6**	**(1,682.5)**
Profit for the year	-	-	-	280.2	-	280.2	0.4	280.6
Other comprehensive income	-	-	-	9.0	0.2	9.2	-	9.2
Total comprehensive income	-	-	-	289.2	0.2	289.4	0.4	289.8
Dividends paid	-	-	-	-	-	-	(0.1)	(0.1)
Capital contribution	-	19.0	-	-	-	19.0	-	19.0
Balance at 30 June 2018	**0.1**	**330.9**	**(188.5)**	**(1,514.0)**	**(3.1)**	**(1,374.6)**	**0.9**	**(1,373.7)**

Consolidated interim cash flow statement

	Note	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Net cash inflow from operating activities	24	**205.4**	**259.6**	**572.1**
Investing activities				
Interest received		0.6	0.1	1.5
Interest element of finance lease rentals		(0.5)	(0.5)	(1.0)
Purchase of tangible assets		(76.6)	(84.4)	(161.4)
Purchase of intangible assets		(1.2)	(1.0)	(3.7)
Sale of tangible assets		6.8	-	0.3
Sale of subsidiary undertakings	13	-	-	-
Proceeds on disposal of investments	13	-	4.7	5.2
Loans to joint ventures		-	0.6	0.6
		(70.9)	**(80.5)**	**(158.5)**
Financing activities				
New external borrowings		16.0	-	-
Repayment of external borrowings		(63.8)	(69.0)	(124.3)
Repayment of intercompany borrowings		-	(28.5)	(57.0)
Finance lease capital		(0.3)	(0.2)	(0.4)
Movement in borrowings		(48.1)	(97.7)	(181.7)
Interest paid		(91.2)	(82.8)	(170.1)
Cash settlement of principal accretion on inflation-linked swaps		-	-	(58.6)
Cash flow on redemption of swaps		1.6	-	-
		(137.6)	**(180.5)**	**(410.4)**
(Decrease)/ increase in cash and cash equivalents	19	**(3.2)**	**(1.4)**	**3.2**

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 2018 were approved by the board of directors on 6 September 2018 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 2018 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 2018 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.

With the exception of IFRS15, the accounting policies adopted are consistent with the statutory accounts for the year ended 30 June 2018. IFRS 15 Revenue for contracts with customers was effective for the Group from 1 July 2018. Comparative information for 31 December 2017 and 30 June 2018 have been restated for consistency.

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 2018 £m	Six months ended 31 December 2017 £m	Year ended 30 June 2018 £m
Operating profit	169.8	158.3	327.4
Depreciation	85.4	80.5	166.2
Amortisation	7.4	7.5	16.7
Impairment	-	4.4	4.4
Exceptional operating expenses	1.3	8.0	9.5
Loss on disposal of property, plant and equipment	-	0.1	-
Share of results of associates and joint ventures	-	(0.2)	(0.2)
Other income	(3.3)	(1.6)	(4.6)
Other	-	-	(0.1)
EBITDA	**260.6**	**257.0**	**519.3**

Prior period restatement

IFRS 15
IFRS 15 Revenue from Contracts with Customers became effective for the Group in the current year. The new standard provides a more prescriptive framework toward revenue recognition and includes several clarifications to the interpretations of existing standards, focussing on the transfer of control of goods and services rather than the transfer of risks and rewards.

The impact assessment performed by the Group has identified the impact of the new standard will see changes to the revenue recognition profile of certain contracts within the Terrestrial Broadcast business unit. Comparative information in these financial statements for the 6 months ending 31 December 2017 and year ended 30 June 2018 have been restated to appropriately present the impact of the new standard.

The impact on initial recognition on the opening statement of financial position at 1 July 2017 has been recognised through retained earnings and has a net impact of £9.2m. The adjustment has impacted the EBITDA for the six months to 31 December 2017 by £0.9m, £0.4m impact to operating profit and £1.7m adjustment to the tax credit.

Change in presentation

Tax
The AGPL financial statements were approved by the Directors on 6 September 2018. Since that date, the financial statements of the Group's principal subsidiaries have been completed. This has identified changes to corporation tax legislation enacted in the period which means that the intra-group consequences of non-deductible finance costs would be best presented as a capital contribution. Accordingly, the taxation credit in the consolidated income statement for the year ended 30 June 2018 of £224.3m would be reduced by £19.0m.

This has been reflected in the comparatives in these financial statements as follows: the taxation credit in the consolidated income statement for the year ended 30 June 2018 has been decreased by £19.0 million to £205.3m; and an adjustment to reflect a capital contribution, of the amount of the intra group tax election, of £19.0m has been made to reserves in the consolidated statement of financial position at 30 June 2018.

This adjustment does not affect either the EBITDA or net assets of the AGPL consolidated or Company financial statements.

The below reconciles the amounts reported in the prior period to the restated comparatives.

	31 December 2017 Reported £m	Recognition and measurement differences £m	31 December 2017 Restated £m
Revenue	482.0	0.9	482.9
Depreciation	(79.2)	(1.3)	(80.5)
EBITDA	256.1	0.9	257.0
Tax credit	233.0	1.7	234.7
Net liabilities	(1,430.0)	(7.9)	(1,437.9)

	30 June 2018 Reported £m	Recognition and measurement differences £m	30 June 2018 Restated £m
Revenue	962.4	1.8	964.2
Depreciation	(163.7)	(2.5)	(166.2)
EBITDA	517.5	1.8	519.3
Tax credit	224.3	(17.3)	207.0
Net liabilities	(1,365.5)	(8.2)	(1,373.7)

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 period ended 30 June 2018.

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 2018 the Group had £69.0m working capital facilities undrawn and £7.1m 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 and accretion 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 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Rendering of services	442.8	429.2	859.9
Engineering projects	34.7	49.1	95.1
Sale of goods	5.4	4.6	9.2
Total revenue	**482.9**	**482.9**	**964.2**

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 2018 (Unaudited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**245.3**	**174.5**	**63.1**	**-**	**482.9**
Segment result* (EBITDA)	**181.4**	**89.2**	**13.9**	**(23.9)**	**260.6**
Depreciation and amortisation					(92.8)
Exceptional items					(1.3)
Other income					3.3
Operating profit					**169.8**
Finance income					0.9
Finance costs					(175.4)
Other gains and losses					(13.6)
Loss before tax					**(18.3)**

Six months to 31 December 2017 (Unaudited)	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**240.3**	**174.7**	**67.9**	**-**	**482.9**
Segment result* (EBITDA)	**177.2**	**87.4**	**15.4**	**(23.0)**	**257.0**
Depreciation and amortisation					(88.0)
Impairment					(4.4)
Loss on disposal of property, plant and equipment					(0.1)
Exceptional items					(8.0)
Share of result of joint venture and associates					0.2
Other income					1.6
Operating profit					**158.3**
Finance income					0.7
Finance costs					(174.8)
Other gains and losses					26.6
Profit before tax					**10.8**

Year ended 30 June 2018	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**489.4**	**341.3**	**133.5**	**-**	**964.2**
Segment result* (EBITDA)	**362.6**	**178.1**	**33.8**	**(55.2)**	**519.3**
Depreciation and amortisation					(182.9)
Other operating income excluded from measuring EBITDA					0.1
Impairment					(4.4)
Exceptional items					(9.5)
Share of results of associates and joint ventures					0.2
Other income					4.6
Operating profit					**327.4**
Finance income					1.7
Finance costs					(347.9)
Other gains and losses					92.4
Profit before tax					**73.6**

*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 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Operating profit	**169.8**	**158.3**	**327.4**
Depreciation	*85.4*	*80.5*	*166.2*
Amortisation	*7.4*	*7.5*	*16.7*
Impairment	*-*	*4.4*	*4.4*
Exceptional operating expenses	*1.3*	*8.0*	*9.5*
Loss on disposal of property, plant and equipment	*-*	*0.1*	*-*
Share of results of associates and joint ventures	*-*	*(0.2)*	*(0.2)*
Other income	*(3.3)*	*(1.6)*	*(4.6)*
Other	*-*	*-*	*(0.1)*
EBITDA	**260.6**	**257.0**	**519.3**

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	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	**£m**
Capital expenditure:					
For the six months ended 31 December 2018 (Unaudited)	36.9	21.6	3.6	15.7	**77.8**
For the six months ended 31 December 2017 (Unaudited)	41.8	27.5	3.9	12.2	**85.4**
For the year ended 30 June 2018	73.2	48.9	10.2	32.9	**165.2**

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 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
UK	476.7	477.3	952.9
Continental Europe	4.2	4.3	8.6
Rest of World	2.0	1.3	2.7
Total revenue	**482.9**	**482.9**	**964.2**

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

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
UK	3,774.2	3,794.3	3,786.5
Continental Europe	2.5	2.5	2.6
Rest of World	0.8	0.8	0.8
Total non-current assets	**3,777.5**	**3,797.6**	**3,789.9**

8 Exceptional items

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

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Operating expenses			
Reorganisation and severance	(3.6)	(0.6)	(1.8)
Corporate finance activities	0.3	(7.4)	(7.7)
Profit on disposal of assets	2.0	-	-
	(1.3)	**(8.0)**	**(9.5)**
Other gains and losses			
Profit on disposal of investment (see note 13)	-	0.1	0.1
Total exceptional items	**(1.3)**	**(7.9)**	**(9.4)**

Reorganisation and severance expenses include costs relating to delivery of the Group's transformation programme where Arqiva is streamlining processes, modernising its IT systems and right-sizing the business.

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

Profit on disposal of assets relates to the sale of non-core assets (and the associated contracts) for In-Building Solutions which was sold in October 2018.

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

9 Finance income

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Bank deposits	0.1	-	0.3
Finance lease interest receivable	-	-	0.2
Other loans and interest receivable	0.7	0.7	1.2
Dividends received	0.1	-	-
Total finance income	**0.9**	**0.7**	**1.7**

10 Finance costs

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Interest on bank overdrafts and loans	46.3	49.1	97.1
Other loan interest	38.0	37.4	74.7
Bank and other loan interest	**84.3**	**86.5**	**171.8**
Amortisation of debt issue costs	2.5	3.0	5.8
Interest on obligations under finance leases	0.5	0.5	1.0
Interest payable to other group entities	77.1	72.0	145.0
Other interest	8.9	14.1	23.5
Total interest payable	**173.3**	**176.1**	**347.1**
Less amount included in the cost of qualifying assets	-	(3.5)	(3.5)
Unwinding of discount on provisions (see note 23)	2.1	2.2	4.3
Total finance costs	**175.4**	**174.8**	**347.9**

11 Other gains and losses

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Foreign exchange (loss) / gain on financing	(7.9)	9.5	2.0
Fair value (loss) / gain on derivative financial instruments (see note 22)	(5.7)	17.0	90.3
Other gains and losses	**(13.6)**	**26.5**	**92.3**
Exceptional profit on disposal of investments	-	0.1	0.1
Total other gains and losses	**(13.6)**	**26.6**	**92.4**

Foreign exchange (loss) / gain 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 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
UK Corporation tax:			
- Current year	4.1	(8.1)	2.5
Current year overseas tax	0.1	0.1	-
Total current tax charge / (credit)	4.2	(8.0)	2.5
Deferred tax (see note 18):			
- Origination and reversal of temporary differences	(6.0)	-	29.3
- Change in unrecognised deferred tax assets	9.5	-	(12.1)
- Recognition of deferred tax asset	-	(226.7)	(226.7)
Total deferred tax	3.5	(226.7)	(209.5)
Total tax charge / (credit) for the period	**7.7**	**(234.7)**	**(227.0)**

The tax charge/(credit) 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 2019 is 10.4% (the estimated tax rate used at 31 December 2017 was 0.3%), excluding one-off tax adjustments such as the recognition of a deferred tax asset, prior period adjustments and the allocation of interest expense which is not deductible. The rate is different to the statutory rate mainly due to permanent differences which are not tax deductible.

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 2017: 18.0%; 30 June 2018: 17.0%) as this is the rate at which the deferred tax balances are forecast to unwind.

A deferred tax asset of £226.7m 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 £226.7m has been recognised.

The current tax charge in the period ended 31 December 2018 represents payments for corporation tax group relief surrendered by other companies within the Arqiva Group Limited corporation tax group to companies within the Arqiva Group Parent Limited group of consolidated companies. This group relief is paid for at the UK corporation tax rate of 19%.

The representation of the prior period comparatives reflects two factors: (i) the tax impact of the IFRS 15 adjustment which increases the recognition of the deferred tax asset in the six months to 31 December 2017 and the year ended 30 June 2018 by £1.6m; and (ii) the intra-group consequences of the non-deductible financial costs. The non-deductible finance costs are treated and presented as a capital contribution rather than a payment for tax losses provided by the Arqiva Group Parent Ltd group of companies in the year ended 30 June 2018. Owing to these changes, there is an adjustment to the 30 June 2018 current year UK corporation tax credit of £19m (from £16.5m credit to £2.5m charge); there is no impact upon the reserves of the Arqiva Group Parent Ltd group.

13 Disposal of business

In the prior year, on 26 October 2017, the Group sold its 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. The total gross consideration was £5.8m, satisfied by cash and cash equivalents. This total consideration is in respect of sales proceeds of £5.2m and repayment of a loan of £0.6m. The profit on disposal of £0.1m was recognised in other gains and losses as an exceptional item.

14 Goodwill

	£m
Cost:	
At 1 July 2018	1,981.0
Disposals	(1.6)
At 31 December 2018	**1,979.4**
Accumulated impairment losses:	
At 1 July and 31 December 2018	**0.4**
Carrying amount:	
At 31 December 2018 (Unaudited)	**1,979.0**
At 31 December 2017 (Unaudited)	1,980.6
At 30 June 2018	1,980.6

The Group disposed of £1.6m of goodwill in association with the disposal of non-core areas of business.

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2018	15.5	18.7	15.4	98.3	147.9
Additions	-	1.2	-	-	1.2
Completion of AUC	-	0.9	-	(0.1)	0.8
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2018	**15.5**	**20.8**	**15.4**	**98.1**	**149.8**
Accumulated amortisation					
At 1 July 2018	5.8	5.8	15.4	61.9	88.9
Charge for the period	0.7	1.1	-	5.6	7.4
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2018	**6.5**	**6.9**	**15.4**	**67.4**	**96.2**
Carrying amount					
At 31 December 2018 (Unaudited)	**9.0**	**13.9**	**-**	**30.7**	**53.6**
At 31 December 2017 (Unaudited)	9.9	12.3	-	23.6	45.8
At 30 June 2018	9.7	12.9	-	36.4	59.0

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 2018	337.9	152.6	2,122.5	109.3	2,722.3
Additions	-	-	7.2	64.5	71.7
Completion of AUC	3.7	0.4	75.7	(80.6)	(0.8)
Disposals	-	-	(22.2)	(1.4)	(23.6)
At 31 December 2018	**341.6**	**153.0**	**2,183.2**	**91.8**	**2,769.6**
Accumulated depreciation					
At 1 July 2018	42.4	59.6	849.9	-	951.9
Charge for the period	3.3	2.4	79.7	-	85.4
Disposals	-	-	(12.5)	-	(12.5)
At 31 December 2018	**45.7**	**62.0**	**917.1**	**-**	**1,024.8**
Carrying amount					
At 31 December 2018 (Unaudited)	**295.9**	**91.0**	**1,266.1**	**91.8**	**1,744.8**
At 31 December 2017 (Unaudited)	296.8	95.0	1,306.2	94.6	1,792.6
At 30 June 2018	295.5	93.0	1,272.6	109.3	1,770.4

17 Trade and other receivables

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018
	£m	£m	£m
Trade receivables	92.0	91.5	100.4
Amounts receivable from other group entities	63.3	37.6	59.1
Other receivables	7.2	5.8	7.7
Prepayments	64.1	51.3	69.5
Accrued income	25.4	40.0	40.6
Amounts receivable from finance lease arrangements	1.8	2.1	2.0
	253.8	**228.3**	**279.3**

18 Deferred tax

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Deferred tax asset	**208.8**	**226.7**	**211.3**
Deferred tax liability	**3.9**	**-**	**3.5**

A net deferred tax asset of £204.9m has been recognised in the period ended 31 December 2018, in accordance with IAS 12.

The net deferred tax asset of £204.9m comprises tax losses of £15.4m, derivative financial instruments of £147.6m, fixed asset temporary difference of £36.9m and other temporary differences of £5.0m.

The deferred tax asset at 31 December 2017 and 30 June 2018 has been restated to £226.7m from £225.0m (31 December 2017) and £211.3m from £209.5m (30 June 2018) as a result of the implementation of IFRS 15.

19 Cash and cash equivalents

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Cash at bank	4.2	5.7	6.2
Short term deposits	2.9	-	4.1
Total cash and cash equivalents	**7.1**	**5.7**	**10.3**

20 Trade and other payables

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Current			
Trade payables	43.0	59.2	61.4
Amounts payable to other group entities	1,159.9	1,030.8	1,083.9
Taxation and social security	28.3	28.1	23.5
Other payables	11.1	6.9	18.2
Accruals	79.6	96.7	102.6
Deferred revenue	123.2	139.3	173.0
Total current trade and other payables	**1,445.1**	**1,361.0**	**1,462.6**
Non-Current			
Deferred revenue	298.5	236.5	283.1
Total non-current trade and other payables	**298.5**	**236.5**	**283.1**

21 Borrowings

		31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Within current liabilities:				
Finance lease obligations	Sterling denominated	0.7	0.4	0.7
Bank facility	Sterling denominated	71.0	37.0	55.0
Senior bonds and notes (amortising)	Sterling denominated	58.1	52.4	58.1
	US dollar denominated	19.7	9.3	19.1
Accrued interest on senior financing[1]	Sterling denominated	(0.7)	4.9	4.4
Borrowings due within one year		**148.8**	**104.0**	**137.3**
Within non-current liabilities:				
Bank loans		**427.6**	**500.6**	**441.7**
- *Senior debt*	*Sterling denominated*	*430.0*	*505.0*	445.0
- *Issue costs*	*Sterling denominated*	*(2.4)*	*(4.4)*	(3.3)
Other loans		**1,729.0**	**1,789.9**	**1,769.5**
- *Senior bonds and notes*	*Sterling denominated*	*1,485.1*	*1,543.1*	1,524.1
	US dollar denominated	*251.5*	*256.1*	253.8
- *Issue costs*	*Sterling denominated*	(7.6)	(9.3)	(8.4)
Amounts payable to other group entities	Sterling denominated	**496.8**	**496.8**	**496.8**
Finance lease obligations	Sterling denominated	**11.9**	**12.4**	**12.4**
Borrowings due after more than one year		**2,665.3**	**2,799.7**	**2,720.4**
Analysis of total borrowings by currency:				
Sterling		2,542.9	2,638.3	2,584.8
US Dollar		271.2	265.4	272.9
Total borrowings		**2,814.1**	**2,903.7**	**2,857.7**

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 £965.4m (31 December 2017: £1,022.7m; 30 June 2018: £1,004.0m) whilst their carrying amount was £887.3m (31 December 2017: £914.0m; 30 June 2018: £900.7m).

The fair value of fixed rate privately placed senior debt determined from observable market prices for quoted instruments as a proxy measure (fair value hierarchy level 2) was £458.1m (31 December 2017: £464.3m; 30 June 2018: £464.4m) whilst their carrying amount was £434.1m (31 December 2017: £428.4m; 30 June 2018: £435.9m).

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

[1] The balance at 31 December 2018 is shown net of £1.5m (31 December 2017: £6.9m; 30 June 2018 £7.3m) interest receivable under swap arrangements associated with the underlying financing.

The weighted average interest rate of borrowings is 7.89% (31 December 2017: 7.95%; 30 June 2018: 7.89%).

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

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Borrowings fall due within:			
One year	149.5	99.1	132.9
One to five years	1097.2	924.8	898.7
More than five years	1,578.1	1,888.6	1,833.4
Total	**2,824.8**	**2,912.5**	**2,865.0**

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 with £60.0m outstanding (31 December 2017: £135.0m; 30 June 2018: £75.0m) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan with £180.0m outstanding (31 December 2017: £180.0m; 30 June 2018: £180.0m) with an expected maturity date of December 2023; a loan from the European Investment Bank with £190.0m outstanding (31 December 2017: £190.0m; 30 June 2018: £190.0m) with an expected maturity date of June 2024 and capital expenditure and working capital facilities with £71.0m outstanding (31 December 2017: £37.0m; 30 June 2018: £55.0m) 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 £569.0m (31 December 2017: £603.0m; 30 June 2018: £585.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 5.

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

As at 31 December 2018, the Group has £887.3m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds have scheduled amortisation between December 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 £498.5m (31 December 2017: £518.5m; 30 June 2018: £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 £384.6m (31 December 2017: £398.5m; 30 June 2018: £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 2018 was 4.5% (31 December 2017: 4.5%; 30 June 2018: 4.5%). The weighted average period of funding was 5.3 years (31 December 2017: 5.4 years; 30 June 2018: 5.8 years).

Within the Group's financial liabilities were borrowings of £2,824.8m excluding issue costs and accrued interest (31 December 2017: £2,912.5m; 30 June 2018: £2,857.7m) (see note 21), which includes £999.5m (31 December 2017: £1,060.5m; 30 June 2018: £1,018.5m) 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 £943.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 6.92%. 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 345.5m 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 2018 excluding the inflation swap principal accretion of £37.8m (31 December 2017: £37.8m; 30 June 2018: £nil), is a liability of £1,000.3m (31 December 2017: £1,124.9m; 30 June 2018: £1,030.8m). This fair value is calculated using a risk-adjusted discount rate.

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 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Interest rate swaps	(274.2)	(342.7)	(297.7)
Inflation-linked interest rate swaps (including principal accretion of £37.8m; 31 December 2017: £37.8m; 30 June 2018: £nil)	(798.5)	(836.8)	(755.1)
Cross-currency swaps	34.6	16.8	22.0
Total	**(1,038.1)**	**(1,162.7)**	**(1,030.8)**
Change in fair value recognised in the income statement:			
- Attributable to changes in market conditions	(11.4)	26.6	106.3
- Attributable to changes in perceived credit risk	4.1	(9.6)	(16.0)
Total profit/(loss) recognised in the income statement	**(7.3)**	**17.0**	**90.3**
Cash settlement of principal accretion on inflation-linked swaps	-	-	58.6
Cash flow on redemption of swaps	1.6	-	-
Total change in fair value	**(5.7)**	**17.0**	**148.9**

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

23 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation and maintenance	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2018	-	60.7	0.2	5.2	1.5	67.6
Additions created through property, plant and equipment	-	0.2	-	-	-	0.2
Unwind of discount (note 10)	-	1.9	-	0.2	-	2.1
Utilised	-	(0.1)	-	-	-	(0.1)
Released/charged to income statement	-	(0.2)	-	(0.2)	0.5	0.1
At 31 December 2018 (Unaudited)	**-**	**62.5**	**0.2**	**5.2**	**2.0**	**69.9**
At 31 December 2017 (Unaudited)	0.8	55.4	0.3	5.0	1.3	62.8
At 30 June 2018	-	60.7	0.2	5.2	1.5	67.6

	31 December 2018 Unaudited	31 December 2017 Unaudited	30 June 2018
	£m	£m	£m
Analysed as:			
Current	2.7	3.5	2.8
Non-current	67.2	59.3	64.8
	69.9	**62.8**	**67.6**

24 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Six months to 31 December 2018 Unaudited	Six months to 31 December 2017 Unaudited	Year ended 30 June 2018
	£m	£m	£m
Operating profit	169.8	158.3	327.3
Adjustments:			
Depreciation of property, plant and equipment	85.4	80.5	166.2
Amortisation of intangible assets	7.4	7.5	16.7
Impairment	-	4.4	4.4
Loss on disposal of property, plant and equipment	-	0.1	0.1
Other income	(3.3)	(1.6)	(4.6)
Share of results of associates and joint ventures	-	(0.2)	(0.2)
Operating cash flows before movements in working capital	**259.3**	**249.0**	**509.9**
Decrease in receivables	32.0	33.0	4.6
(Decrease) / increase in payables	(85.5)	(6.9)	70.3
(Decrease) in provisions	(0.3)	(15.4)	(12.6)
Cash generated from operating activities	**205.5**	**259.7**	**572.2**
Taxes paid	(0.1)	(0.1)	(0.1)
Net cash inflow from operating activities	**205.4**	**259.6**	**572.1**

Analysis of changes in financial liabilities:

	At 1 July 2018	Changes in financing cash flows (Cash)	Changes in foreign exchange (Non-cash)	Changes in fair value (Non-cash)	Other changes including accrued interest (Non-cash)	At 31 December 2018
	£m	£m	£m	£m	£m	£m
Current borrowings (Note 21)	(132.9)	33.2	-	-	(49.8)	(149.5)
Non-current borrowings (Note 21)	(2,720.4)	15.0	(7.9)	-	49.0	(2,665.3)
Accrued interest on borrowings (Note 21)	(4.4)	91.1	-	-	(86.0)	0.7
Derivative financial instrument Liabilities (Note 22)	(1,030.8)	(1.6)	-	(5.7)	-	(1,038.1)
Total	**3,888.5**	**137.7**	**(7.9)**	**(5.7)**	**(87.8)**	**(3,852.2)**

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 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Within one year	37.8	39.9	45.4
Within two to five years	0.1	4.8	2.4
Total capital commitments	**37.9**	**44.7**	**47.8**

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 2018 £m	Six months to 31 December 2017 £m	Year ended 30 June 2018 £m	Six months to 31 December 2018 £m	Six months to 31 December 2017 £m	Year ended 30 June 2018 £m
Associates	-	-	-	3.1	3.3	6.6
Joint ventures	1.7	1.7	3.5	1.1	1.1	2.3
Entities under common influence	-	8.7	0.9	0.2	0.8	0.7
Other group entities	29.2	12.5	40.0	-	-	-
	30.9	**22.9**	**44.4**	**4.4**	**5.2**	**9.6**

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

In addition, the Group received £0.1m (31 December 2017: £nil; 30 June 2018: £nil) of dividends from associates and joint ventures in which it holds an investment.

As at 31 December 2018, the amount receivable from joint ventures was £nil (31 December 2017: £nil and 30 June 2018: £nil) and the amount payable to joint ventures was £0.4m (31 December 2017: £0.2m; 30 June 2018: £nil).

As at 31 December 2018, the amount receivable from associates was £nil (31 December 2017: £0.1m; 30 June 2018 £nil) and the amount payable to associates was £0.2m (31 December 2017: £0.8m; 30 June 2018: £nil). Interest received during the year from joint ventures was £nil (six months to 31 December 2017: £nil; year ended 30 June 2018: £0.1m) charged at rates between 12% and 20% of the outstanding balances.

As at 31 December 2018, the amount receivable from entities under common influence was £0.2m (31 December 2017: £0.2m; 30 June 2018: £nil).

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 2018, 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 2017 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates from the triennial valuation figures.

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

	Six months to 31 December 2018 Unaudited £m	Six months to 31 December 2017 Unaudited £m	Year ended 30 June 2018 £m
Components of defined benefit finance income recognised in profit or loss	(0.3)	(0.1)	(0.2)
	(0.3)	**(0.1)**	**(0.2)**

The net interest item has been included within finance income (see note 9). The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	31 December 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Return on Plan assets excluding Interest Income	(8.4)	8.4	1.8
Experience gains arising on the Plan's liabilities	-	-	4.4
Actuarial gains / (losses) arising from changes in financial assumptions	4.5	(10.1)	3.3
Actuarial gains arising from changes in demographic assumptions	-	-	1.3
	(3.9)	**(1.7)**	**10.8**

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 2018 Unaudited £m	31 December 2017 Unaudited £m	30 June 2018 £m
Fair value of Plan assets	230.6	246.1	239.0
Present value of Plan liabilities	(207.7)	(238.1)	(218.4)
Surplus	**22.9**	**8.0**	**20.6**

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.