Macquarie UK Broadcast Holdings Limited

Registered number 05254001

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2010

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Directors' report and statement of Directors' responsibilities

The Directors of Macquarie UK Broadcast Holdings Limited, registered company number 05254001, ('the Company') and its subsidiaries ('the Group') submit the following annual report and audited consolidated financial statements ('financial statements') in respect of the year ended 30 June 2010.

Business review and principal activities

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental, media services and radio communications in the United Kingdom ('UK') and satellite services in the UK, Europe and the United States of America ('USA').

During the year, the Group provided a range of products and services to its customers principally through three business units:

- Terrestrial Broadcast provides transmission for all UK terrestrial TV broadcasters, including the new networks being built for the Digital Switch Over ('DSO'). Transmission is also provided for BBC Radio and most commercial radio stations. The Group owns and operates two of the six UK digital terrestrial TV multiplexes, enabling major media companies to bring their TV and radio services to Freeview. The charging regime for access to the Group network for the purposes of Television and Radio Broadcasting is regulated in nature; the framework is a typical rate of return (on invested capital) and pass through of operating costs model, which is overseen by the Office of Communications (Ofcom).
- Satellite & Media provides global communication platforms to enterprise, government and broadcast customers around the world. It owns and operates teleports at key locations including Los Angeles, Washington, London and Paris, as well as comprehensive satellite capacity, an international terrestrial fibre network and extensive media facilities. These enable the Group to provide organisations with a comprehensive range of services to deliver their data, broadcasts and media across the globe.
- Wireless Access provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government and commercial markets. Arqiva is the largest independent provider of radio sites in the UK and Ireland. With its own spectrum, the company can provide complete mobile communications networks including backhaul links.

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

In July 2009, the Group completed a transaction with Global Radio to acquire the remaining 63% share in the commercial Digital Audio Broadcasting ('DAB') multiplex, Digital One, and ownership of Now Digital, which operates Global Radio's local digital radio multiplexes. Resulting from this transaction, the Group now accounts for minority interests in two of the entities acquired. As part of this transaction the Group also acquired a 12% stake in the radio multiplex MXR, which owns 5 regional multiplex licences.

In August 2009, the Group acquired the video-on-demand platform developed by UK VOD LLP, a joint venture set up by BBC Worldwide, ITV and Channel 4 for £6m. A further £6m was spent developing the platform to support the launch of the service. The Group set up a new subsidiary, SeeSaw IPTV Limited ('SeeSaw'), to provide the service. SeeSaw launched an advertising video-on-demand ('AVOD') service in February 2010 and a transactional video-on-demand ('TVOD') service in May 2010.

The merger of T-Mobile and Orange went ahead during the year with operations being merged into a new venture, Everything Everywhere Limited on 1 July 2010. Through this venture Orange joined 3UK and T Mobiles' network sharing venture, Mobile Broadband Network Limited ('MBNL') in September 2010. The Group is a principal cell site partner with MBNL and the impact of the Orange / T-Mobile merger on the Group's site sharing portfolio is being closely monitored.

In March 2010, Arqiva Limited, a subsidiary company, committed with six other parties, to join the Canvas venture, which is being set up to develop an open standard for internet connected TV. The Canvas venture incorporated on 16 September 2010 as YouView TV Limited.

The results show a pre-tax loss of £246,254,000 (2009: £205,669,000) and Group turnover of £823,304,000 (2009: £805,520,000). The Group has net current liabilities of £319,714,000 (2009: £253,170,000) and capital employed of £73,130,000 (2009: funds of £168,427,000).

Key performance indicators ('KPIs')

The key measure of the Group's performance is EBITDA. EBITDA is defined as operating profit, before share of profit from joint ventures and associates, profit or losses on the disposal of fixed assets, depreciation, amortisation, interest and exceptional items. EBITDA for the year ended 30 June 2010 is £330,333,000 (2009: £304,566,000). The EBITDA margin (ratio of EBITDA to turnover, expressed as a percentage) for the year ended 30 June 2010 is 40.1% (2009: 37.8%).

Business environment

The business environment reflects the ongoing technology evolution from analogue to digital based services, whilst mobile network operators are consolidating their networks in order to offer a broader range of services at lower costs. In addition the UK Government spending cuts will put pressure on services to this market segment. Terrestrial transmission services in the UK are transitioning from current analogue and low power digital transmission service to a high power digital transmission service. A significant and complex broadcast engineering project (DSO) is being undertaken in order to provide Digital Terrestrial Television ('DTT') transmission services. The programme is currently running within plan parameters, with the Border, West Country, Granada, Wales and West regions now fully digital. The Group has contracts with the BBC, SDN, and Digital 3/4 to design, build and operate new high-power DTT networks.

Principal risks and uncertainties facing the business

The key business risks affecting the Group are set out below:

- As identified above, completion of the DSO programme on a technical and commercial level over the next two years. This risk is mitigated by regular monitoring of key milestones per site.
- Demand for wireless communications and resultant demand for access to the Group's towers as a result of recent network sharing activity amongst the mobile network operators.
- Delivery of DTT Managed Transmission Service contracts with TV broadcasters. The contracts are closely monitored against the service level agreements in place to assess the risk of any potential breaches.
- Development in alternative broadcast technologies, such as broadband internet connected TV, which would compete against the DTT business. The Group has mitigated some of this risk by launching SeeSaw and investing in YouView TV Limited.

Dividends and transfers to reserves

The Company has declared no dividends in the year (2009: £130,117,000).

The consolidated loss for the year of £236,754,000 (2009: £183,829,000) was transferred to reserves.

Going concern

Despite being in a consolidated net liabilities position, and having consolidated net current liabilities, the Group adopts the going concern basis in preparing its consolidated financial statements based on future profit, cash flows and available facilities, which lead the Directors of the Company to have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Group had a net cash inflow from operating activities of £313,102,000 in the year, and an overall increase in cash of £66,568,000.

The Company is in a net asset position and has net current assets.

Future developments

It is the intention of the Company and the Group to continue investing in communications infrastructure projects.

The Group intends to consolidate its current business unit structure into two customer facing business units; Broadcast and Media, and Government, Mobile and Enterprise.

Creditor payment policy

The Group seeks to treat all of its suppliers fairly and it is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations. Trade creditor days are 46 (2009: 47 days).

Financial risk management

The Company's operations expose it and the Group to a variety of financial risks that include the effects of changes in price, credit risk, liquidity risk, cash flow interest rate risk and foreign exchange risk. The Group's overall risk management programme seeks to minimise potential adverse effects as noted below.

Price risk
The Group has a limited exposure to fluctuations in prices of electricity, gas and other commodities. As energy is a major component of the Group's cost base, the risk of fluctuations in price is managed by purchasing the majority under a flexible purchasing strategy. Flexible contracting enables the spread of risk through forward purchasing of electricity.

Credit risk
The Group is exposed to credit risk but this is managed through appropriate credit checking procedures prior to taking on new customers, higher risk customers paying in advance of services being provided, and the generally lower risk nature of the majority of the customer portfolio.

Liquidity risk
The Group uses medium term debt finance to ensure the Group has sufficient available funds for operations and planned growth.

Cash flow interest risk
The Group has a policy of maintaining approximately 50% of bank debt at a fixed rate to ensure certainty of future interest cash flows. This is achieved using interest rate swaps to convert the floating rate term debt into fixed rate debt. The remaining interest cost of the bank debt is covered by inflation index (RPI) linked swaps.

Foreign exchange risk
The Group operates from UK sites and predominantly in the UK market, but has some transactions denominated in foreign currency. While some customer and supplier contracts are denominated in other currencies (US Dollars and Euros), the majority of the Group's revenues and cost are sterling based, and accordingly exposure to foreign exchange risk is low. Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place.

Environment

The Group recognises that its activities and those of its subsidiaries impact on the environment to some degree; therefore it aims to secure the positive advantages and reduce the negative impacts through a system of active environmental management. The Group aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- minimise pollution from its activities;
- plan the contingency / emergency response for major incidents with other environmental stakeholders, to minimise environmental impact;
- engender within its staff, and as far as practicable its contractors, a culture of awareness and responsibility for relevant environmental issues by promoting its environmental policy internally;
- develop, implement and audit an environmental management system to support these aims; and
- promote its environment-friendly credentials as widely as possible.

Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Group as a whole, as this is the key driver for the bonus scheme to which employees are entitled. Communication with all employees continues using the intranet, briefing groups and distribution of an in-house magazine.

The Company itself has no employees (2009: none)

Directors

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

— Christian Seymour	
— Peter Shore	
— Martin Stanley	
— Adrianus Wamsteker	
— Alain Carrier	(Appointed 20 July 2009)
— Daniel Fetter	(Appointed 20 July 2009)
— Andreas Kottering	(Appointed 20 July 2009)
— Marc Perusat	(Appointed 19 May 2010)
— Robert Wall	(Appointed 4 August 2010)
— Graeme Bevans	(Appointed 20 July 2009, resigned 16 July 2010)
— Joshua McHutchison	(Resigned 23 March 2010)
— Graeme Barclay	(Resigned 20 July 2009)
— Michael Buckling	(Resigned 20 July 2009)
— Scott Davies	(Resigned 20 July 2009)
— Peter Douglas	(Resigned 20 July 2009)
— Andrew Hunter	(Resigned 20 July 2009)
— Gerald Moriarty	(Resigned 20 July 2009)

Company Secretary

On 31 July 2009, Tom O'Connor resigned as Company Secretary and Michael Giles was appointed in his place.

Disclosure of information to the Independent Auditors

The Directors of the Company in office at the date of approval of this report confirm that:

— so far as the Directors are aware there is no relevant audit information of which the Auditors are unaware; and

— each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Research and development

The Group performs research and development into new products and technology. Development costs are capitalised when they relate to a customer project. The research and development costs expensed in the year total £24,000 (2009: £1,408,000).

Freehold land and buildings

The difference between the market value of the Group's land and buildings and the carrying amount is a lower market value by £124,910,000. This is based upon a market valuation completed as at 30 June 2010. The Directors are comfortable the carrying value of the assets in the accounts is supported by their value in use to the business.

Overseas branches

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

Charitable donations

During the year, the Group made charitable donations of £105,000 (2009: £59,000). All contributions were made as part of a matched funding scheme to match employee fundraising for charitable events up to £500 per employee.

Directors' indemnities

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

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

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

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

On behalf of the Board

Peter Shore
Director
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

27 October 2010

Independent Auditors' report to the Members of Macquarie UK Broadcast Holdings Limited

We have audited the Group and parent company financial statements (the 'financial statements') of Macquarie UK Broadcast Holdings Limited for the year ended 30 June 2010, which comprise the consolidated profit and loss account, the consolidated balance sheet, the statement of group total recognised gains and losses, the consolidated cash flow statement, the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2010 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

ABK

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

27 October 2010

Consolidated profit and loss account

	Note	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Continuing operations			
Turnover (including share of joint venture)	2	825,049	806,852
Less: share of joint venture's turnover		(1,745)	(1,332)
Group turnover		**823,304**	**805,520**
Cost of sales		(368,932)	(356,837)
Gross profit		**454,372**	**448,683**
Administrative expenses		(365,044)	(378,484)
Group operating profit	3	**89,328**	**70,199**
Share of operating (loss)/profit in joint venture and associates		(744)	256
Total operating profit: Group and share of joint venture and associates		**88,584**	**70,455**
Income from shares in group undertakings		126	-
Exceptional items	4	(2,826)	(28,159)
Profit on ordinary activities before taxation and interest		**85,884**	**42,296**
Interest receivable and similar income	7	1,164	6,477
Interest payable and similar charges	8	(333,302)	(254,442)
Loss on ordinary activities before taxation		**(246,254)**	**(205,669)**
Tax on loss on ordinary activities	9	9,641	21,840
Loss on ordinary activities after taxation		**(236,613)**	**(183,829)**
Equity minority interests		(141)	-
Loss for the financial year	21,22	**(236,754)**	**(183,829)**

There is no material difference between losses on ordinary activities for the year above and the comparative year and their historical cost equivalent.

Consolidated balance sheet

	Note	30 June 2010 £'000	30 June 2009 £'000
Fixed assets			
Intangible assets	11	2,459,618	2,609,924
Tangible assets	12	1,480,979	1,340,240
Investments	13		
Investments in joint venture			
- *Share of gross assets*		3,970	4,190
- *Share of gross liabilities*		(5,019)	(4,494)
- *Goodwill on acquisition*		5,849	5,849
Investments in associated undertakings		110	2,444
		4,910	7,989
		3,945,507	**3,958,153**
Current assets			
Debtors	14	170,894	164,315
Cash at bank and in hand	15	94,766	28,198
Total current assets		**265,660**	**192,513**
Creditors: amounts falling due within one year	16	(585,374)	(445,683)
Net current liabilities		**(319,714)**	**(253,170)**
Total assets less current liabilities		**3,625,793**	**3,704,983**
Creditors: amounts falling due after more than one year	17	(3,625,165)	(3,471,880)
Provisions for liabilities and charges	18	(64,902)	(57,447)
Net (liabilities)/assets excluding pension deficit		**(64,274)**	**175,656**
Pension deficit	27	(8,856)	(7,229)
Net (liabilities)/assets including pension deficit		**(73,130)**	**168,427**
Capital and reserves			
Called up share capital	19	653,928	653,928
Share premium account	20	315,638	315,638
Profit and loss reserve	21	(1,042,901)	(801,139)
Total shareholders' (deficit)/funds	22	**(73,335)**	**168,427**
Minority interest		205	-
Capital employed		**(73,130)**	**168,427**

The accounting policies and notes on pages 12 to 35 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 October 2010 and were signed on its behalf by:

Peter Shore – Director

Alain Carrier – Director

Statement of group total recognised gains and losses

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Loss for the financial year	(236,754)	(183,829)
Actuarial loss on pension schemes	(6,060)	(3,030)
Exchange adjustment offset in reserves (translation of foreign investments)	(100)	(612)
Movement on deferred tax relating to pension liability	1,697	848
Total recognised losses for the year	**(241,217)**	**(186,623)**

Consolidated cash flow statement

	Note	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Net cash inflow from operating activities	23	**313,102**	**259,991**
Dividends from associates		**1,652**	**-**
Returns on investment and servicing of finance			
Interest received		661	6,477
Interest paid		(162,255)	(247,429)
Interest element of finance lease rentals		(1,244)	(1,313)
		(162,838)	**(242,265)**
Tax (paid)/received		**(516)**	**714**
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(205,699)	(171,040)
Purchase of intangible fixed assets		(2,976)	-
Sale of tangible fixed assets		-	4
		(208,675)	**(171,036)**
Acquisitions and disposals			
Purchase of subsidiary undertakings	11	(3,264)	(322)
Cash acquired with subsidiary undertakings	11	2,077	615
Purchase of associates and joint ventures		-	(6,030)
		(1,187)	**(5,737)**
Equity dividends paid		**-**	**(130,117)**
Financing			
Finance lease capital		(765)	(622)
Loans to associates and joint ventures		(2,388)	(1,600)
Repayment of external borrowings		(5,464)	(68,101)
Increase in external borrowings	16,17	133,647	153,944
		125,030	**83,621**
Increase/(decrease) in cash	24	**66,568**	**(204,829)**
Reconciliation of net cash flow to movement in net debt			
Net debt at 1 July		(3,369,623)	(3,073,119)
Increase/(decrease) in net cash		66,568	(204,829)
Movement in financing		(125,030)	(83,621)
Other non cash changes		(71,380)	(8,054)
Net debt at 30 June	24	**(3,499,465)**	**(3,369,623)**

Company balance sheet

	Note	30 June 2010 £'000	30 June 2009 £'000
Fixed assets			
Investments	13	1,000	1,000
Current assets			
Debtors	14	1,295,053	1,204,936
Cash at bank and in hand	15	69,563	1,360
Total current assets		**1,364,616**	**1,206,296**
Creditors: amounts falling due within one year	16	(20,986)	(21,090)
Net current assets		**1,343,630**	**1,185,206**
Net assets		**1,344,630**	**1,186,206**
Capital and reserves			
Called up share capital	19	653,928	653,928
Share premium account	20	315,638	315,638
Profit and loss reserve	21	375,064	216,640
Total shareholders' funds	22	**1,344,630**	**1,186,206**

The accounting policies and notes on pages 12 to 35 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 October 2010 and were signed on its behalf by:

Peter Shore - Director

Alain Carrier - Director

Notes to the financial statements

1 Principal accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards under the historical cost convention. The Company is exempt under s408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The Company made a profit for the year of £158,424,000 (2009: £140,547,000) prior to dividends paid of £nil (2009: £130,117,000).

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company, as at 30 June 2010, and the results of all controlled entities for the year then ended.

Businesses acquired, previously held externally to the Group, are accounted for as acquisitions with effect from the date control passes. Those disposed of are accounted for up until the date of disposal. Intra group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Associates are accounted for using the equity method of accounting in accordance with FRS 9 'Associates and joint ventures'. Joint ventures are accounted for using the gross equity method. The consolidated financial statements include the appropriate share of those undertakings' results and reserves.

(c) Going concern

The Group adopts the going concern basis in preparing its consolidated financial statements based on future profit, cash flows and available facilities, which lead the Directors of the Company to have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. During the year, the Group had a net cash inflow from operating activities and an overall increase in cash.

The Company is in a net asset position and has net current assets.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition), being fair value for acquired subsidiaries, less accumulated depreciation and any provision for impairment.

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

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valued amount, less estimated residual value, of assets over their estimated useful lives. The useful economic lives of the assets have been determined taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected depreciation rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Asset Description	Estimated Useful Life
Freehold buildings	60 – 70 years
Leasehold buildings	Length of lease
Plant and equipment	
- Communications infrastructure network	8 – 100 years
- Network computer equipment	3 – 20 years
- Motor vehicles	3 – 5 years

Freehold land is not depreciated.

(e) Turnover

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

(f) Intangible fixed assets and amortisation

Development costs

Development costs incurred on development of products and services within the Group are capitalised in accordance with SSAP 13 'Accounting for research and development' and are amortised from the commencement of service over the life of the relevant contract.

Licences

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

Acquisitions

Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful life, which is considered to be no longer than 20 years. The Group capitalises costs associated with the acquisition of subsidiaries within goodwill.

Access rights

Access rights are valued on acquisition and amortised on a straight line basis over their expected useful life.

The economic useful lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment.

(g) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11.

(h) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences arising are taken to the profit and loss account. Exchange differences on translation of overseas operations are recognised through the 'Statement of group total recognised gains and losses'.

(i) Leasing commitments

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

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

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

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

(j) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted. Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

(k) Provisions

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

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

(l) Post retirement benefits

Defined contribution schemes

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

Defined benefit schemes

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

Any defined benefit asset or liability is presented separately on the face of the balance sheet and net of deferred tax.

(m) Borrowings

Borrowings are stated at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are amortised over the term of the borrowing to achieve a constant rate on the carrying amount. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan, unless capitalised as noted in policy (d).

(n) Cash at bank and in hand

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

(o) Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable on deposits and payable on borrowings and finance leases.

(p) Financial instruments

The Group uses interest rate swaps to reduce its exposure to fluctuations in interest rates. Receipts, payments and accreting liabilities on interest rate swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not recognised. Amounts received and paid under interest rate swaps are shown net under financing costs, where they are part of the same legal agreement and settled net in practice.

(q) Share issue costs

In accordance with the provision contained in FRS 4 'Capital instruments', all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction in the proceeds of the relevant capital instruments.

2 Turnover and segmental reporting

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

Turnover and profit is recognised as services are provided. Cash received in advance from customers is taken to deferred income and recognised as turnover when service is provided. Turnover recognised in advance of cash received is taken to accrued income.

The Group has not disclosed segmental analysis in the financial statements as all revenue is derived from a shared infrastructure network common to all three business units. Therefore, in the view of the Directors, the Group has only one class of business.

The geographical split of turnover is shown below;

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
UK	684,422	670,125
Continental Europe	77,508	75,583
Rest of world	61,374	59,812
Group turnover	**823,304**	**805,520**

3 Operating profit

Operating profit is stated after charging / (crediting):

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Depreciation of owned fixed assets	79,656	78,555
Depreciation of assets held under finance lease	840	1,074
Amortisation of goodwill in respect of subsidiaries	153,051	151,868
Amortisation of intangible assets	7,441	2,517
Operating lease rentals – communications infrastructure equipment	50,120	50,485
Loss on disposal of tangible fixed assets	17	353
Research and development	24	1,408
Foreign exchange (gains)/losses	(1,035)	1,330

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Fees payable to Company Auditors for the audit of parent company and consolidated accounts	57	58
Fees payable for the audit of the Company's subsidiaries	393	355
Non-audit services		
Other audit services	447	85
Services relating to taxation	90	28
Services relating to transaction advice	142	650
All other services	211	13
Total cost of Auditors	**1,340**	**1,189**

4 Exceptional items

Exceptional items incurred in the year were £2,826,000 (2009: £28,159,000). The exceptional costs in the year to 30 June 2010 comprised of costs resulting from the integration of acquired subsidiaries and are partially offset by a non-cash gain on the early settlement of a financial liability. The exceptional costs in the year to 30 June 2009 comprised redundancy costs of £17,450,000 resulting from the integration of the National Grid Wireless ('NGW') group, and £10,709,000 of related costs such as systems integration activity and other charges.

5 Staff costs

The Company had no employees during the year (2009: none). The monthly average number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2010 Number	Group Year ended 30 June 2009 * Number
Terrestrial Broadcast	84	60
Satellite & Media	486	454
Wireless Access	99	145
Shared Network Operations	1,121	1,228
Corporate Support	253	267
Total staff number	**2,043**	**2,154**

* Figures re-stated to remove agency staff numbers of 195.

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Wages and salaries	117,555	115,494
Social security costs	12,188	11,413
Other pension costs	9,811	12,842
Total staff costs	**139,554**	**139,749**

6 Directors' emoluments

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Aggregate emoluments	**3**	**50**

During the year, two Directors (2009: one) were employees of Arqiva Limited. Nine (2009: nine) of the Directors are representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's emoluments in respect of each of their service to the Company and the Group. Accordingly, the above details include no emoluments in respect of these Directors services.

The Group incurred costs of £nil (2009: £47,000) in respect of amounts recharged from the Directors' employer companies for the direct costs of Directors attending board meetings during the year.

7 Interest receivable and similar income

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Bank interest	299	2,439
Finance lease interest receivable	283	263
Other interest	582	3,775
Total interest receivable	**1,164**	**6,477**

8 Interest payable and similar charges

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Bank loan interest	219,695	151,058
Less: Capitalised interest	(3,488)	(6,796)
Net bank loan interest	216,207	144,262
Amortisation of debt issue costs	12,181	12,293
Finance lease interest	1,244	1,313
Loan note interest	93,112	84,752
Other interest	10,558	11,822
Total interest payable	**333,302**	**254,442**

Included within bank loan interest is the interest associated with other financial instruments.

9 Taxation

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
(a) Analysis of tax credit for the year		
Current tax		
UK corporation tax from prior year	(1,743)	(2,802)
Overseas tax	796	608
Overseas tax from prior year	205	-
Total current tax	**(742)**	**(2,194)**
Deferred tax		
Origination and reversal of timing differences	(11,077)	(14,598)
Recognition of deferred tax on losses	(9,502)	-
Deferred tax on pension liability charged to profit and loss account	1,064	(145)
Prior year adjustment	10,616	(4,903)
Total deferred tax	**(8,899)**	**(19,646)**
Tax credit on loss on ordinary activities	**(9,641)**	**(21,840)**
(b) Factors affecting the current tax charge for the year:		
The tax assessed for the period is less than the standard rate of tax in the UK (28%). The differences are explained below:		
Loss on ordinary activities before taxation	(246,254)	(205,669)
Loss before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009: 28%)	(68,951)	(57,587)
Expenses not deductible for tax purposes	1,899	789
Amortisation of goodwill	42,854	42,523
Depreciation in excess of capital allowances	12,842	14,580
Non qualifying depreciation	(2,878)	3,402
Non-deductible loan note interest	18,120	-
Associate / joint venture expense / income with no tax applicable	208	(72)
Income not subject to corporation tax	(416)	(2,433)
Utilisation of unrecognised tax losses	(205)	(840)
Utilisation of recognised tax losses	(1,301)	-
Other timing differences	(1,528)	-
Prior year adjustment	(1,538)	(2,802)
Overseas tax rate in excess of the UK tax rate	152	246
Total current tax	**(742)**	**(2,194)**

10 Dividends

Equity dividends – Ordinary shares	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000	Company Year ended 30 June 2010 £'000	Company Year ended 30 June 2009 £'000
Interim dividend paid (2009: 16.82p per share)	-	110,000	-	110,000
Interim dividend paid (2009: 3.08p per share)	-	20,117	-	20,117
Interim dividend declared on 24 June 2010 of £10 per share - Now Digital (East Midlands) Limited	48	-	-	-
Interim dividend declared on 24 June 2010 of £6.50 per share - South West Digital Radio Limited	22	-	-	-
Total dividends	**70**	**130,117**	**-**	**130,117**

11 Intangible fixed assets

Group	Licences £'000	Development costs £'000	Access rights £'000	Goodwill £'000	Total £'000
Cost					
At 1 July 2009	3,638	925	15,561	3,038,118	3,058,242
Acquisitions	-	-	-	9,993	9,993
Additions	-	-	193	-	193
At 30 June 2010	**3,638**	**925**	**15,754**	**3,048,111**	**3,068,428**
Accumulated amortisation					
At 1 July 2009	1,041	289	4,558	442,430	448,318
Charged in the year	352	231	6,858	153,051	160,492
At 30 June 2010	**1,393**	**520**	**11,416**	**595,481**	**608,810**
Net book value					
At 30 June 2010	**2,245**	**405**	**4,338**	**2,452,630**	**2,459,618**
At 30 June 2009	2,597	636	11,003	2,595,688	2,609,924

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

Acquisition of JFMG Limited

On 18 February 2009 the Group acquired 100% of the share capital of JFMG Limited. The fair value of assets and liabilities acquired have been finalised in the year, and no changes were made to the fair value recorded and disclosed in the 2009 financial statements.

Acquisition of the Digital Group

On 21 July 2009 the Group increased its shareholding in Digital One Limited ('D1') from 36.7% to 100%. D1 holds and operates the national commercial digital radio multiplex. As part of the same transaction the Group acquired 100% of the ordinary shares in Now Digital (Southern) Limited ('NDSL') and 100% of the ordinary shares in Now Digital Limited ('NDL'). NDSL and NDL hold and operate a number of regional DAB multiplex licences. NDL holds 52.5% of Now Digital (East Midlands) Limited and 66.67% of South West Digital Radio Limited. As part of this acquisition a 12% investment in the radio multiplex MXR was also acquired, via MXR Holdings Limited.

During the period from acquisition to 30 June 2010, the acquired companies reported the following results:

	£'000
Turnover	12,262
Administrative expenses	(13,748)
Operating loss	**(1,486)**

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

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

	Book and Provisional fair value £'000
Bank and cash	2,077
Debtors	1,730
Prepayments	715
Corporation tax	285
Creditors	(2,509)
Deferred income	(401)
Accruals	(352)
Minority interest	(64)
Net assets acquired	**1,481**
Goodwill	**9,993**
Cash consideration	3,067
Deferred consideration	8,002
Acquisition fees	197
Original investment (in Digital One as an associate)	208
Total consideration	**11,474**

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

12 Tangible fixed assets

Group	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2009	370,182	45,807	1,084,478	1,500,467
Additions	19,265	7,125	191,002	217,392
Disposals	-	-	(301)	(301)
At 30 June 2010	**389,447**	**52,932**	**1,275,179**	**1,717,558**
Accumulated depreciation				
At 1 July 2009	8,375	3,240	148,612	160,227
Reclassification	-	-	(3,860)	(3,860)
Charge for the year	6,576	2,432	71,488	80,496
Disposals	-	-	(284)	(284)
At 30 June 2010	**14,951**	**5,672**	**215,956**	**236,579**
Net book value				
At 30 June 2010	**374,496**	**47,260**	**1,059,223**	**1,480,979**
At 30 June 2009	361,807	42,567	935,866	1,340,240
Freehold land included above not depreciated				136,824

The Group's fixed and other assets have been pledged as security under fixed and floating charges that have arisen as a result of borrowing agreements entered into by the Group (see note 26).

Borrowing costs capitalised during the period totalled £3,488,000 (2009: £6,796,000) at a capitalisation rate of 2.3% (2009: 5.01%). The aggregate amount of finance costs included in the cost of tangible fixed assets totals £14,904,000 (2009: £11,416,000).

Assets held under finance leases, capitalised and included within fixed assets above:

	Land and buildings	Other
	£'000	£'000
Cost	10,907	1,603
Accumulated depreciation	(2,010)	(1,464)
Net book value		
At 30 June 2010	**8,897**	**139**
At 30 June 2009	9,344	532

13 Investments

The Company's significant investments (held indirectly unless stated) are shown below:

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Macquarie UK Broadcast Services Plc - held directly	United Kingdom	Holding company	30-June	99.99%
Macquarie UK Broadcast Enterprises Limited	United Kingdom	Holding company	30-June	100%
Macquarie UK Broadcast Ventures Limited	United Kingdom	Holding company	30-June	100%
Macquarie UK Broadcast Limited	United Kingdom	Holding company	30-June	100%
MUKBL Digital Limited	United Kingdom	Holding company	30-June	100%
MUKBL Digital Radio Limited	United Kingdom	Holding company	30-June	100%
Arqiva Limited	United Kingdom	Transmission services	30-June	100%
Arqiva Inc	USA	Satellite transmission services	30-June	100%
Arqiva SRL	Italy	Satellite transmission services	30-June	100%
Arqiva SAS	France	Satellite transmission services	30-June	100%
Macropolitan Limited	United Kingdom	Site management	30-June	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-June	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-June	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-June	100%
Arqiva No 2 Limited	United Kingdom	Transmission services	30-June	100%
Arqiva No 3 Limited	United Kingdom	Transmission services	30-June	100%
Lattice Telecommunications Asset Development Company Limited	United Kingdom	Telecommunications infrastructure	30-June	100%
Arqiva Aerial Sites plc	United Kingdom	Management of aerial sites	30-June	100%
JFMG Limited	United Kingdom	Spectrum and transmission management	30-June	100%
Digital One Limited	United Kingdom	Transmission services	30-June	100%
Now Digital Limited	United Kingdom	Transmission services	30-June	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-June	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-June	52.5%
South West Digital Radio Limited	United Kingdom	Transmission services	30-June	66.67%
Primrose No.1 Limited (formerly Millergrove Limited) – held directly	United Kingdom	Investment company	30-June	100%
SeeSaw IPTV Limited (formerly SeeSaw IPTV No 2 Limited) – held directly	United Kingdom	Video-on-demand services	30-June	100%
Arqiva (Scotland) Limited (formerly St. Vincent Street (490) Limited)	United Kingdom	Transmission services	30-June	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Joint ventures				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30-June	16.4%
Associate undertakings:				
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	31-Dec	25%
DTV Services Limited	United Kingdom	Free view market services co-ordination	31-May	20%

Group	Investments in associates and joint ventures £'000
At 1 July 2009	7,989
Share of retained losses	(744)
Pre step acquisition dividend from D1	(1,652)
Removal of original investment in D1 at cost	(208)
Removal of D1's profits whilst an associate	(475)
At 30 June 2010	**4,910**

Company	Investments in subsidiaries £'000
At 1 July 2009 and 30 June 2010	**1,000**

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

14 Debtors

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Trade debtors	85,664	84,469	-	-
Amounts owed by group undertakings	-	-	1,295,053	1,204,846
Amounts owed by joint ventures	4,498	1,607	-	-
Other debtors	9,838	14,256	-	90
Prepayments and accrued income	70,894	63,983	-	-
Total debtors	**170,894**	**164,315**	**1,295,053**	**1,204,936**

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

Finance leases

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

	Group 30 June 2010 £'000	Group 30 June 2009 £'000
Net investment in finance leases and hire purchase contracts comprises:		
Total amounts receivable	6,663	7,008
Less: Interest allocated to future years	(3,042)	(3,369)
Total finance leases	**3,621**	**3,639**

Rentals receivable during the year under finance leases and hire purchase contracts amount to £431,000 (2009: £430,000).

Company

Amounts owed by group undertakings are unsecured and repayable on demand. Interest has been charged on £735,050,000 at 9.75%, £518,055,000 at 18% and £41,948,000 at 0% (2009: £659,060,000 at 9.75%, £507,009,000 at 18% and £38,777,000 at 0%).

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

15 Cash at bank and in hand

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Cash at bank	6,148	5,627	-	-
Short term deposits	88,618	22,571	69,563	1,360
Total cash	**94,766**	**28,198**	**69,563**	**1,360**

16 Creditors: amounts falling due within one year

	Group 30 June 2010 £'000	Group 30 June 2009 £'000	Company 30 June 2010 £'000	Company 30 June 2009 £'000
Bank loans				
Senior debt - working capital facility	54,426	19,813	-	-
	54,426	19,813	-	-
Trade creditors	79,520	76,896	-	-
Amounts owed to group undertakings	-	-	20,986	17,260
Other taxes and social security costs	12,311	1,217	-	-
Other creditors	19,856	21,493	-	-
Accruals and deferred income	418,869	325,514	-	3,830
Finance lease obligations	392	750	-	-
Total creditors: amounts falling due within one year	**585,374**	**445,683**	**20,986**	**21,090**

See note 17 for the terms of the working capital facility.

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

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17 Creditors: amounts falling due after more than one year

	Group 30 June 2010 £'000	Group 30 June 2009 £'000
Bank loans		
Senior debt - A1	1,509,788	1,509,788
Senior debt - A2	584,434	584,434
Senior debt - Facility C	251,165	152,131
Junior debt	455,859	462,677
Accrued liability on interest rate swap	124,349	63,151
Less: issue costs	(52,067)	(64,248)
	2,873,528	2,707,933
Other loans		
Loan notes	654,991	655,133
Finance lease obligations	15,392	15,799
Accruals and deferred income	81,254	93,015
Total creditors: amounts falling due after more than one year	**3,625,165**	**3,471,880**

	Group 30 June 2010 £'000	Group 30 June 2009* £'000
Maturity of loans		
Within one year	54,818	20,563
In more than one year, but not more than five years	2,471,354	1,759
In more than five years	1,124,624	3,441,354
Total loans	**3,650,796**	**3,463,676**

* Prior year restated to exclude issue costs

Finance leases

Future minimum payments under finance leases are as follows:

	30 June 2010 £'000	30 June 2009 £'000
Within one year	1,591	1,991
In more than one year, but not more than five years	6,019	6,307
After five years	23,519	24,807
Total gross payments	**31,129**	**33,105**
Less finance charges included above	(15,345)	(16,556)
Total finance leases	**15,784**	**16,549**

All loan notes carry a fixed interest rate of 13%, applicable to the capital and unpaid interest, and are repayable on 31 December 2017. The loan notes are unsecured and are listed on the Channel Islands Stock Exchange.

All senior debt represents amounts borrowed by Macquarie UK Broadcast Ventures Limited ('MUKBV') under a Senior Facility Agreement with Barclays Capital, Commerzbank AG, HSBC Bank plc and the Royal Bank of Scotland plc as arrangers, for a facility of £2,925,000,000, further to a Senior Facility Agreement dated 3 April 2007. The working capital facility of £75,000,000 is a component of this senior debt facility.

All junior debt represents amounts borrowed by Macquarie UK Broadcast Enterprises Limited ('MUKBE') under a Junior Facility Agreement with Barclays Capital, Commerzbank AG, HSBC Bank plc and the Royal Bank of Scotland plc as arrangers for a facility of £475,000,000 further to a Junior Facility Agreement dated 3 April 2007.

The senior and junior debt have certain covenants attached and are secured by way of a fixed and floating charge over the Group's assets. The loans have the following interest rates and are repayable as shown below:

	Repayable by	Interest rate until April 2010	Interest rate until April 2011	Interest rate until April 2012	Interest rate until April 2013	Interest rate until maturity
Senior debt - A1	1 July 2014	LIBOR + 1.75%	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%
Senior debt - A2	1 December 2014	LIBOR + 2.00%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%	LIBOR + 2.75%
Senior debt - Facility C	1 July 2014	LIBOR + 1.75%	LIBOR + 1.75%	LIBOR + 2.00%	LIBOR + 2.25%	LIBOR + 2.50%
Junior debt	1 July 2015	LIBOR + 4.00%	LIBOR + 4.25%	LIBOR + 4.50%	LIBOR + 4.75%	LIBOR + 5.00%

MUKBV has entered into interest rate swaps and indexed swap agreements for principal value of £2,625,000,000. £1,312,500,000 has been hedged via interest rate swaps for a fixed rate of 5.239% and £1,312,500,000 has been hedged at 2.02% indexed with RPI. The swaps have been put in place until April 2027 but have a mandatory termination date of 3 April 2014.

In addition, MUKBV entered into cash flow swaps with a principal value of £2,625,000,000, to take advantage of the Group's ability to fix debt on a monthly basis. The swaps are in place until June 2011.

The fair value of swaps held at 30 June 2010, held off balance sheet in accordance with Group accounting policy, is a liability of £753,916,000 (2009: £491,955,000). Of this balance £124,349,000 (2009: £63,151,000) is included within creditors on an accruals basis, the value of which differs to the fair value attributed to this element of the swap valuation.

18 Provisions for liabilities and charges

	Onerous contract	Decommissioning	Remediation and maintenance	Other	Deferred tax	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2009	5,168	16,368	13,385	782	21,744	57,447
Reclassification	192	(1,559)	-	-	1,367	-
Released to profit and loss account	(750)	(78)	-	(25)	(9,963)	(10,816)
Charged to profit and loss account	3,299	16,801	-	-	-	20,100
Changes relating to movements in the discounted amount	-	408	-	-	-	408
Utilised	(2,237)	-	-	-	-	(2,237)
At 30 June 2010	**5,672**	**31,940**	**13,385**	**757**	**13,148**	**64,902**

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

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties.

The remediation and maintenance provision represents the cost of upgrading certain sites to meet safety standards and is expected to be utilised over the next four years.

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

The provision for deferred tax is analysed below:

	30 June 2010 £'000	30 June 2009 £'000
Accelerated capital allowances	23,881	25,460
Short term timing differences	666	(518)
Tax losses	(11,399)	(3,198)
Undiscounted provision for deferred tax	**13,148**	**21,744**

The deferred tax liability of £13,148,000 has been calculated based on the UK corporation tax rate of 28% (the rate in force at the balance sheet date). Subsequent to the balance sheet date a UK corporation tax rate of 27% has been substantively enacted and the impact of this change in the UK corporation tax rate would reduce the liability to £12,678,000. There has also been a stated intention to reduce the UK corporation tax rate to 24% by April 2014 by a number of changes in the UK corporation tax rate; these changes have not been substantively enacted.

There is an unrecognised deferred tax asset of £18,291,000 (2009: £28,870,000) in respect of tax losses which are not anticipated to be utilised in the foreseeable future.

19 Share capital

	Group and Company 30 June 2010 £'000	Group and Company 30 June 2009 £'000
Authorised:		
1,016,500,000 ordinary shares of £1 each	**1,016,500**	**1,016,500**
Allotted, called up and fully paid:		
653,928,000 ordinary shares of £1 each	**653,928**	**653,928**

20 Share premium account

	Group and Company £'000
At 1 July 2009 and 30 June 2010	**315,638**

21 Profit and loss reserve

	£'000
Group	
At 1 July 2009	(801,139)
Actuarial loss on pension scheme	(6,060)
Movement on deferred tax relating to pension liability	1,697
Dividends	(70)
Exchange adjustments offset in reserves (translation of foreign investments)	(100)
Removal of former associate's profits (see note 13)	(475)
Loss for the financial year	(236,754)
At 30 June 2010	**(1,042,901)**

	£'000
Company	
At 1 July 2009	216,640
Profit for the financial year	158,424
At 30 June 2010	**375,064**

22 Reconciliation of movement in shareholders' (deficit)/funds

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Group		
Loss for the financial year	(236,754)	(183,829)
Dividends (see note 10)	(70)	(130,117)
Other recognised gains and losses relating to the year	(4,463)	(2,794)
Removal of former associate's profits (see note 13)	(475)	-
Net change in shareholders' (deficit)/funds	**(241,762)**	**(316,740)**
Opening shareholders funds	168,427	485,167
Closing shareholders' (deficit)/funds	**(73,335)**	**168,427**
Company		
Profit for the financial year	158,424	140,547
Dividends	-	(130,117)
Net change in shareholders' funds	**158,424**	**10,430**
Opening shareholders' funds	1,186,206	1,175,776
Closing shareholders' funds	**1,344,630**	**1,186,206**

23 Cash flow from operating activities

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

	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000
Operating profit	89,328	70,199
Exceptional items	(2,826)	(28,159)
Less non-cash gain within exceptional items	(1,354)	-
Depreciation charge	80,496	79,629
Amortisation charge	160,492	154,385
Loss on disposal of tangible fixed assets	17	353
Increase in debtors	(958)	(4,153)
(Decrease)/increase in creditors	(15,563)	2,090
Increase/(decrease) in provisions	3,470	(14,353)
Net cash inflow from operating activities	**313,102**	**259,991**

24 Analysis of changes in net debt

	Note	At 1 July 2009 £'000	Cash flows £'000	Non-cash changes £'000	At 30 June 2010 £'000
Cash at bank and in hand	15	28,198	66,568	-	94,766
Loans to joint ventures	14	1,607	2,388	503	4,498
Debt due within one year	16	(19,813)	(34,613)	-	(54,426)
Debt due after one year	17	(3,363,066)	(93,570)	(71,883)	(3,528,519)
Finance leases	17	(16,549)	765	-	(15,784)
Total		**(3,369,623)**	**(58,462)**	**(71,380)**	**(3,499,465)**

Major non-cash changes include £61,198,000 increase (2009: £5,208,000 decrease) in accrued liability on interest rate swap and £12,181,000 (2009: £12,293,000) decrease in debt issue costs.

25 Commitments for expenditure

Capital commitments

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

	30 June 2010 £'000	30 June 2009 £'000
Within one year	50,292	50,754
Later than one year but not later than five years	13,188	11,484
Later than five years	6	11
Total capital commitments	**63,486**	**62,249**

During the year, the Group has entered into forward contracts to purchase Euros at a total value of £2,309,000. All contracts expire within one year.

Operating leases

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

	30 June 2010 £'000	30 June 2009* £'000
Within one year	1,377	1,414
Later than one year but not later than five years	11,748	12,233
Later than five years	26,038	27,156
Total operating leases	**39,163**	**40,803**

* June 2009 figures restated to exclude inter-company leases of £14,772,000.

Other operating commitments

Other annual lease commitments expiring:

	30 June 2010 £'000	30 June 2009 £'000
Within one year	306	502
Later than one year but not later than 5 years	922	585
Total other annual lease commitments	**1,228**	**1,087**

26 Contingent liabilities

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

The Group has provided an indemnity to the two Inmedia trading companies whose assets and liabilities were acquired during the year to 30 June 2006 in respect of any actions and claims made against those companies.

The Group is the lessee for various properties occupied by companies forming part of the Virgin Media (formerly NTL) group. Arqiva Limited is in the process of assigning these leases to Virgin Media companies, but this process was incomplete at 30 June 2010. The Group remain the main tenant on two of the leases. Virgin Media companies continue to occupy the buildings concerned and to bear all costs associated with the properties, which carry an annual rental of £2,237,000 in total. The total rentals remaining on the outstanding lease terms (which expire by November 2014 at the latest) at 30 June 2010 total £9,766,000 (2009: £12,003,000). Although Virgin Media have indemnified Arqiva Limited for these costs, Arqiva Limited remains ultimately liable for the costs concerned.

27 Pension commitments

Defined benefit scheme

In the year to June 2009, Arqiva Limited operated two defined benefit pension schemes; the 'Arqiva Defined Benefit Pension Plan' ('the Plan') and the 'Arqiva Services Limited Pension Scheme' ('the Scheme'). The Scheme merged into the Plan on 31 December 2009. Therefore, as at 30 June 2010, there is now a single defined benefit pension arrangement operating, with Arqiva Limited as the sponsor. On this basis the disclosure for the schemes has been combined.

The assets of the scheme are held separately from those of Arqiva Limited in trustee administered funds.

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

The FRS 17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit of assets below the FRS 17 liabilities (which equals the gross pension liability).

Assumptions

An actuarial valuation was carried out at 30 June 2010 in consultation with an independent firm of consulting actuaries, KPMG LLP. The principal assumptions made are:

	30 June 2010	30 June 2009
Price inflation	3.50%	3.75%
Discount rate	5.55%	6.45%
Pension increases (LPI with a minimum of 3%)	3.70%	3.85%
Salary growth	4.00%	4.25%
Life expectancy of a male age 60	25.5yrs	25.5yrs

The scheme assumptions were consistent across the Plan and the Scheme for the year to June 2009. The combined assumptions for 2008 have been calculated on a weighted average basis based on the present value of the scheme liabilities for each scheme as at that date.

Asset distribution and long term rate of return expected

	30 June 2010 Expected return	30 June 2010 Fair value £'000	30 June 2009 Expected return	30 June 2009 Fair value £'000
Equities	7.00%	54,600	7.20%	39,599
Bonds	4.40%	34,300	6.25%	26,827
Cash	0.60%	600	0.50%	2,054
Total		**89,500**		**68,480**
Balance sheet				
Total fair value of assets		89,500		68,480
Present value of scheme liabilities		(101,800)		(78,520)
Gross pension liability		(12,300)		(10,040)
Deferred tax asset		3,444		2,811
Net pension liability		**(8,856)**		**(7,229)**

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

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

Arqiva Limited pays contributions of 26.3% of pensionable salaries for the majority of employed members, plus the cost of matching AVC added year payments.

The Group has agreed with the Trustees to make additional contributions of £3,000,000 in each of the following three years with a final additional contribution of £2,086,000 in the fourth year. These contributions will aid the planned elimination of the pension deficit by the next formal actuarial valuation.

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
1 July	78,520	72,920
Current service costs	4,300	7,050
Settlements	-	840
Contributions	1,600	1,830
Interest cost	5,200	4,890
Benefits paid	(1,500)	(1,400)
Actuarial loss / (gain)	13,680	(7,610)
30 June	**101,800**	**78,520**

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
1 July	68,480	66,430
Expected return on scheme assets	4,400	5,070
Actuarial gain / (loss)	7,620	(10,640)
Contributions by employers	8,900	7,190
Contributions by employees	1,600	1,830
Benefits paid	(1,500)	(1,400)
30 June	**89,500**	**68,480**

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Deficit at 1 July	(10,040)	(6,490)
Current service costs	(4,300)	(7,050)
Settlements	-	(840)
Contributions	8,900	7,190
Other net finance (expense)/income	(800)	180
Actuarial loss	(6,060)	(3,030)
Deficit at 30 June	**(12,300)**	**(10,040)**

The following amounts have been included within operating profit:

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Current service cost (employer only)	4,300	7,050
Settlement	-	840
Total operating charge	**4,300**	**7,890**

The following amounts have been included as net finance (expense)/income under FRS 17:

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Expected return on pension scheme assets	4,400	5,070
Interest on post retirement liabilities	(5,200)	(4,890)
Net finance (expense)/income	**(800)**	**180**

The actual return on scheme assets was £12,020,000 (2009: loss of £5,570,000)

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Actual return less expected return on scheme assets	7,620	(10,640)
Experience losses arising on scheme's liabilities	-	(959)
(Losses)/gains due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(13,680)	8,569
Actuarial (loss) recognised in the STRGL	**(6,060)**	**(3,030)**

The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £13,710,000 (2009: £7,650,000).

The history of experience gains and losses is:

	2010	2009	2008	2007	2006*
Present value of scheme liabilities	(101,800)	(78,520)	(72,920)	(60,080)	(8,100)
Fair value of scheme assets	89,500	68,480	66,430	60,090	6,100
(Deficit) / surplus on scheme	(12,300)	(10,040)	(6,490)	10	(2,000)
Actual return less expected return on scheme assets (£'000)	7,620	(10,640)	(9,960)	1,180	(200)
Percentage of Scheme's assets	9%	(16%)	(15%)	2%	(4%)
Experience (losses) and gains arising on scheme's liabilities (£'000)	-	(959)	(300)	800	400
Percentage of the FRS 17 value of the scheme's liabilities	0%	1%	0%	(1%)	5%
Total amount recognised in the STRGL (£'000)	(6,060)	(3,030)	(8,720)	4,100	100
Percentage of the FRS 17 value of the scheme's liabilities	6%	4%	12%	(7%)	1%

*Arqiva Services Limited (the original sponsors of the Scheme) was acquired by the Group on 3 April 2007, therefore the 2006 data is for the Plan only.

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

Other pension schemes

Arqiva Limited

Arqiva Limited has operated three defined contribution schemes during the year, for those employees who are not members of the Defined Benefit scheme described above. As at 1 July 2009 one scheme was operated for the legacy Arqiva employees and one for the legacy NGW employees. From 1 April 2010 these schemes were closed and a new defined contribution scheme commenced for all employees.

Legacy Arqiva Limited scheme

Contributions payable in respect of this scheme for the year were £2,677,000 (2009: £2,411,000). The assets of the scheme were held outside of Arqiva Limited.

An amount of £nil (2009: £250,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

Legacy ASL scheme

Contributions payable in respect of this scheme for the year were £1,527,000 (2009: £1,987,000). The assets of the scheme were held outside of Arqiva Limited.

An amount of £nil (2009: £148,000) is included in accruals being the outstanding contributions to the defined contribution scheme.

Combined scheme

Contributions payable in respect of this scheme for the year were £1,307,000 (2009: £nil). The assets of the scheme are held outside of Arqiva Limited.

An amount of £503,000 (2009: £nil) is included in accruals being the outstanding contributions to the defined contribution scheme.

28 Related party disclosures

On a consolidated basis, transactions and balances between group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 'Related party disclosures'.

On a company basis, the Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the Group as related parties in these financial statements.

Related party transactions:
During the year to 30 June 2010, the Group advanced a further loan of £2,388,000 (2009: £1,600,000) to Arts Alliance Media Investment Limited, a joint venture company, at a fixed interest rate of 15%. The amount outstanding at 30 June 2010, including accrued interest, was £4,498,000 (2009: £1,607,000).

The Group received a dividend of £1,652,000 (2009: £nil) from its former associate Digital One Limited and a dividend of £126,000 was declared on 24 June 2010 by MXR Holdings Limited (see note 11).

The Group paid subscriptions of £2,516,000 (2009 : £1,954,000) to DTV Services Limited, an associate undertaking.

2010	Macquarie Bank Limited *	Airwave *	Broadcast Australia *	MGIF II *	MIIF *	MEIF II * +	Macquarie Prism *	Macquarie Capital Group Limited *	CPPIB Int Comm Assets Limited * +	MTAA Superannuation *	Macquarie FSS Infrastructure *
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Swaps closed out (principal value)	875,000	-	-	-	-	-	-	-	-	-	-
Swap interest paid	11,427	-	-	-	-	-	-	-	-	-	-
Loan notes	-	-	-	4,681	56,841	136,440	5,325	-	314,028	33,789	18,910
Loan note interest	-	-	-	668	8,106	19,457	759	-	44,782	4,819	2,595
Accrued loan note interest	-	-	-	969	11,770	28,253	1,103	-	65,026	6,997	2,595
Sales (net)	-	12,889	-	-	-	-	-	-	-	-	-
Expenses	-	397	106	-	-	-	-	153	-	-	-
Trade debtors	-	109	-	-	-	-	-	-	-	-	-

* A related party by virtue of common influence.
+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2010).

2009	Macquarie Bank Limited *	Airwave *	MGIF II *	MIIF *	MEIF II *	Macquarie Prism *	Macquarie Capital Group Limited *	CPPIB Int Comm Assets Limited *	MTAA Superannuation *
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Equity distributions	-	-	1,886	11,607	1,244	1,001	-	84,187	6,354
Swaps entered into (principal value)	875,000	-	-	-	-	-	-	-	-
Swaps closed out	1,312,500	-	-	-	-	-	-	-	-
Swap interest (net paid)	14,389	-	-	-	-	-	-	-	-
Loan notes	-	-	9,479	56,841	40,448	5,325	-	424,133	33,789
Loan note interest	-	-	1,231	7,379	5,251	691	-	55,061	4,387
Accrued loan note interest	-	-	302	3,664	8,796	343	-	20,244	2,178
Advisory Fees - Acquisitions	-	-	-	-	-	-	861	-	-
Sales (net)	-	3,313	-	-	-	-	-	-	-
Expenses	-	3	-	-	-	-	365	-	13
Trade debtors	-	861	-	-	-	-	-	-	-

* A part of the Macquarie group and a related party by virtue of common control (as at 30 June 2009).

29 Controlling parties

The Company is owned by a consortium of eight shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund, other Macquarie funds and minorities. There is no ultimate controlling party of the Company, as defined by FRS8.

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