Connected. **Always.**

Arqiva Group Limited Registered number 05254001

Annual Report
For the year ended 30 June 2017

Corporate information

As at the date of this report (11 September 2017):

Group Board of Directors

Simon Beresford-Wylie (Chief Executive Officer)

Mark Braithwaite

Sally Davis

Paul Dollman (appointed 6 December 2016)

Neil King (appointed 5 April 2017)

Peter Adams (alternate)

Nathan Luckey

Mike Parton (Chairman)

Christian Seymour / Deepu Chintamaneni (alternate)

Liliana Solomon (Chief Financial Officer)

Damian Walsh

Group website:
www.arqiva.com

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

Company[1] Directors:

Peter Adams

Mark Braithwaite

Deepu Chintamaneni

Sally Davis

Paul Dollman (appointed 6 December 2016)

Neil King (appointed 5 April 2017)

Nathan Luckey

Paul Mullins (resigned 31 August 2017)

Mike Parton

Christian Seymour

Damian Walsh

Company secretary:

Michael Giles

Registered Office
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
05254001

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

Cautionary statement

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

The risks and uncertainties referred to above include:

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

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

A reference to a year expressed as 2016/17 or 2017 is to the financial year ended 30 June 2017. This convention applies similarly to any reference to a previous or subsequent financial year. Additionally, references to 'current year', 'this year' and 'the year' are in respect of the financial year ended 30 June 2017. References to the 'prior year' and 'last year' are to the financial year ended 30 June 2016.

Contents

Cover Image: The Wrekin transmitter tower, Shropshire
Height: 52m
First broadcast: 1975

Arqiva in 2017

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

c.1,150

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

c.1,500

transmission sites[2], including 90 sites rolled-out under our DAB programmes during the year

Smart networks to cover up to 12 million UK premises, with 285,256 smart meters sold during 2017

Access to municipal street furniture sites for the provision of Small Cells in 14 (2016: 12) London Boroughs and three UK cities including Manchester

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[3], and a further two HD capable multiplexes.

c.8,000

active licensed macro sites[4], with an average of 2.6 tenants. 3,537 4G upgrades completed during the year for our MNO customers

Leading position providing In-Building Solutions and Distributed Antenna Systems with 47 systems installed in prime locations including Canary Wharf, Selfridges and Bluewater

80 earth stations accessing...
...32 satellites
and **5 teleports**

Manages the distribution of 1,100 international TV channels including coverage of high profile sporting events, and provides playout services for more than 100 channels for high profile customers

1 Refers to the Digital Terrestrial Television platform, best known for supporting Freeview.
2 Includes circa 800 sites solely used for radio transmission coupled with a further 700 sites that are also used for TV transmission.
3 Main national commercial multiplexes refers to those considered to be most established.
4 Reference to 8,000 sites includes contractual options on the assignment of sites; hereafter referred to as 'circa 8,000 active licensed macro sites'

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

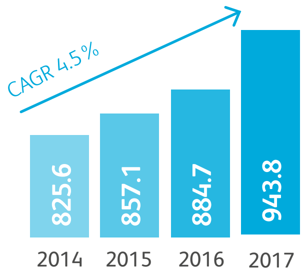
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio;
- Continued development of the UK's DTT platform capacity and capabilities, including a hybrid DTT and Internet Protocol platform for a "pay-lite" audience and managing seamless execution of the 700MHz clearance programme;
- Further extension of DAB[1] coverage in the UK, strengthening DAB as the platform for the future as plans progress for an eventual analogue radio switchover;
- Driving new radio revenues across multiplexes and increasing capacity utilisation, including that of the new second National DAB multiplex;
- Building value in the IoT[2] business by leveraging Arqiva's two key networks: Flexnet for smart meters (gas, electricity and water) and SIGFOX for low power wide area solutions;
- Establishing Arqiva as the predominant UK provider of indoor DAS[3] and small cells by leveraging Arqiva's street infrastructure and exclusive concessions in prime locations;
- Improving the operational efficiency and increasing capacity utilisation within the Satellite and Media business, and continued expansion of media management capability including video-on-demand, streaming, cloud services, metadata management and other over-the-top services;
- Continuing the group-wide focus on efficiencies (driving operational excellence through process mapping, continuous improvement, best-in-class systems and effective field-force management) and cost base optimisation (i.e. the FutureFit[4] programme);
- Driving UK DTH growth from demand for HD channels; and
- Maintaining the robustness of Arqiva's capital structure and investment grade credit rating.

1 Refers to 'Digital Audio Broadcast'.
2 Refers to 'Internet of Things'
3 Refers to 'Distributed Antenna Systems'.
4 See page 19 for a description of this programme and its objectives.

Highlights

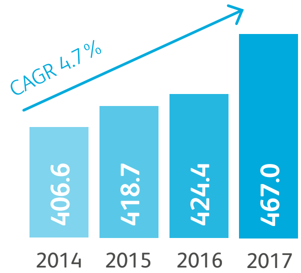
Arqiva has enjoyed successive years of revenue and earnings growth and, following a period of significant investment in major capital programmes, there has been very strong growth in revenues, earnings and cash flow in 2017.

Revenue
£m

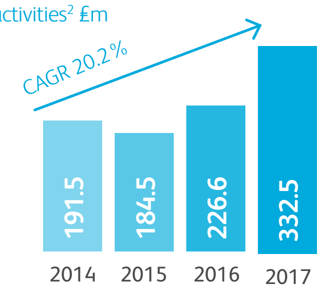


Compound Annual Growth Rate ('CAGR')

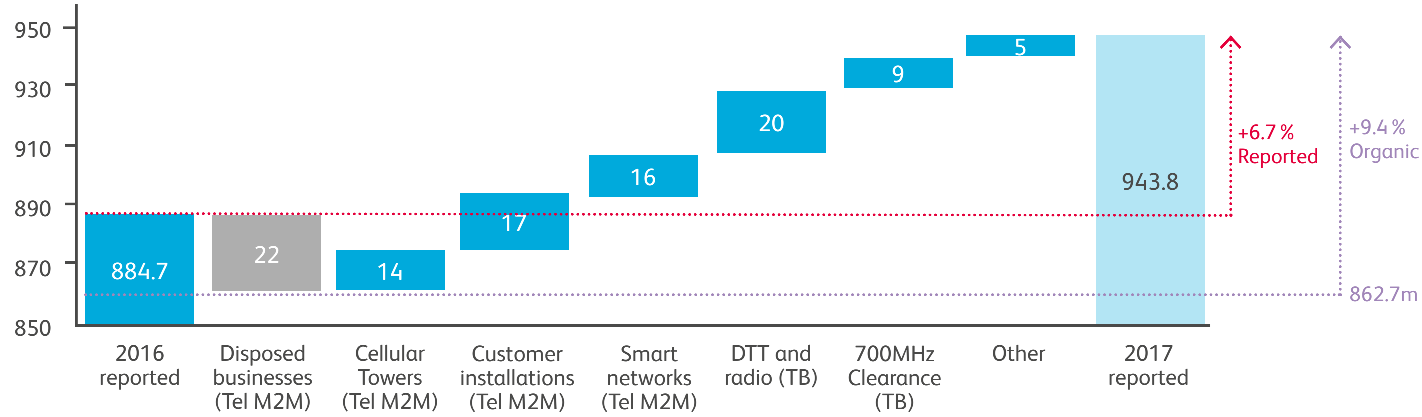
EBITDA[1]
£m



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



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

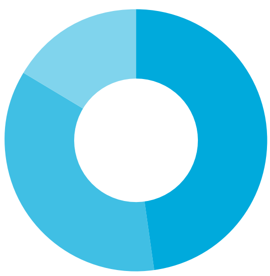


Revenue by operating segment
£m

Terrestrial Broadcast
£449.0m

Telecoms & M2M
£347.9m

Satellite & Media
£146.9m

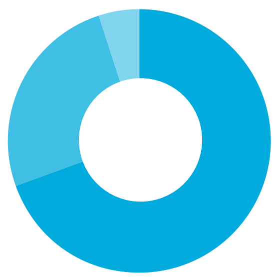


Order book
Total: £5.7bn

Terrestrial Broadcast
£3.9bn

Telecoms & M2M
£1.6bn

Satellite & Media
£0.2bn



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

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

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

Highlights during the year include:

- Reported revenue growth for the year of 6.7%, and 9.4% organic growth[1];
- Growth across all of our businesses particularly in Telecoms & M2M (10.0% reported and 18.5% organic) and Terrestrial Broadcast (6.3%);
- 12% growth in revenues, from £249.7m to £280.8m, derived from the core telecoms towers business primarily driven by an increase in site numbers under the Group's control and associated activities;
- 10.0% increase in earnings (i.e. EBITDA);
- Growth in cash generation[2] up 46.7% from £226.6m to £332.5m;
- Further capacity creation and utilisation of the DTT platform and DAB roll-out;
- Increased activity in the delivery of the 700MHz Clearance programme in accordance with key programme milestones;
- Completion of 3,537 4G upgrades during the year bringing the total to c.6,800 4G site upgrades for MNOs[3] since roll-out began in 2014 including a considerable acceleration during the year in order to assist the MNOs in meeting coverage requirements;
- 'Go-live' of the smart energy metering contract triggering an increase in recurring revenues for the Group;
- Following an excellent initial delivery, acceleration of the roll out of the Group's main smart water metering network contract; and
- Strong delivery of incremental recurring gross annual savings through the Group's FutureFit transformation programme.

1 Organic growth refers to the underlying performance of the business excluding the impact of non-core business areas which were disposed either in the current or comparative period (i.e. the Group's WiFi and Secure Solutions businesses).Further information is included on page 21.

2 Refers to operating cash flow after capital and financial investment which is a non-GAAP measure and reconciled back to net cash inflow from operating activities on page 24.

3 Refers to Mobile Network Operators ('MNOs')

Chairman's introduction

"Through focused investment in the right projects, the Group has benefited from another year of impressive growth in revenue, earnings[1] and cash generation[2]."

Excellent progress, reflected in our financial performance

This financial year has been a year of significant progress. We have invested in the right activities that best utilise our assets and strengths, divested of non-core activities that lack strategic fit, and right sized the operational base of the business. We are now seeing the positive impact of these actions on our financial performance.

Our focus on investment in our core broadcast and telecoms infrastructure markets has supported continued growth in revenue. Over the last three years we have spent more than £500m on capital programmes to strengthen and extend our infrastructure in support of existing and emerging technologies. Much of this investment has been up-front, reflected in greater investment in assets and working capital; however as some of these major capital programmes near completion, and recurring contracted revenues gain significance, we are showing strong growth in the operating cash generated from the business. During the year we completed the divestment of our WiFi business which did not form a core component of our strategy for growth.

We continue to look to drive efficiencies in operational delivery to further increase our earnings potential.

'FutureFit' programme

The Group's 'FutureFit' programme, launched early in the year, is a comprehensive programme changing the way we work. It is designed to achieve streamlined processes and modernising and making our systems more robust, resulting in improved customer service and operational delivery. In addition, with a focus on third party expenditure, it will achieve significant cost efficiencies and savings with the target of gross savings of circa £60m per annum by 2020. This is incremental to those savings already achieved in the previous two financial years. To date, good progress has been made and the FutureFit programme has delivered over £20m of gross annual savings. Further discussion of financial performance is continued within the financial review on page 21.

Refinancing

In November 2016 we completed the refinancing of our bank facilities which included a £353.5m bank term loan; capital expenditure and working capital facilities, all of which were due to mature in February 2018; together with our liquidity facility. We extended the maturity of our facilities and simplified our financing arrangements by establishing replacement facilities with maturities ranging from June 2020 to December 2029. In line with the financings that have taken place since 2013, we restructured the interest rate swaps linked to the £353.5m bank term loan to remove the breaks and match the profile of the new debt instruments.

S&P and Fitch confirmed their rating of Arqiva's senior debt at BBB following the establishment of these new facilities.

1 Referencing EBITDA as reported on page 21

2 Referencing operating cash flow after capital and financial investment activities as reported on page 21

Changes to the Board

During the year we welcomed Paul Dollman and Neil King to the Board and, after close to four years with us, Clive Ansell has left to pursue other opportunities. We thank Clive for his valued counsel. Paul, who is a Chartered Accountant and has a wealth of experience in senior finance positions, joins us as an independent non-executive director and Chairman of the Audit Committee. Neil was appointed to the board by Frequency Infrastructure Communications Assets Limited, and runs the European Infrastructure business at Canada Pension Plan Investment Board.

Shareholders strategic review

Earlier this year, Arqiva's shareholders informed the Board that they are jointly undertaking a strategic review of their investment, which may lead to a transaction involving their interests in Arqiva. There is, however, no certainty that the strategic review will result in any transaction. We will make further announcements as and when appropriate.

Outlook

Our focused investment in the right project has resulted in the Group benefitting from another year of impressive growth in revenue, earnings and cash generation. This, combined with the refinancing exercise undertaken in the year, leaves us stronger as a business.

With the timing and nature of Britain's exit from the European Union still uncertain, I would like to reiterate the sentiment from my statement in our 2016 annual report. Whilst we have an overseas presence, Arqiva's assets, operations and markets are predominantly within the UK and our business is driven from this region. We have minimal exposure to international markets and foreign exchange. We believe that the critical national infrastructure that we provide will continue to be in demand; people will continue to watch television, listen to radio, use mobile devices and consume increasing amounts of data.

Recent Government strategy recognises the importance of this critical national infrastructure and aims to position the UK as a global leader in the next generation of mobile technologies and digital communications. We fully support this vision having, earlier this year, announced a partnership with Samsung to pioneer the first UK 5G field trials, now in operation at Arqiva's London offices, using Fixed Wireless Access in the 28 GHz spectrum owned by the Group.

This is an exciting time for Arqiva and I would like to thank all our employees across the business for their dedication and hard work, which has been central to our continued growth and success.

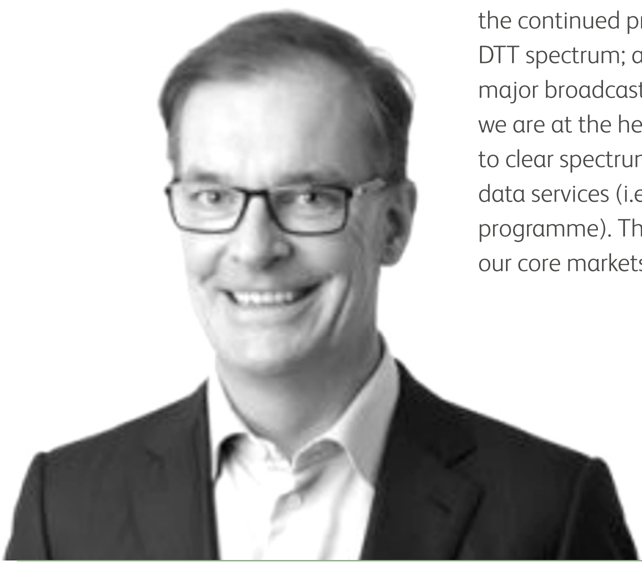
Mike Parton
Chairman
September 2017

Strategic report

Chief Executive's Statement

"Arqiva's strong financial results are driven by excellent operating performances in Terrestrial Broadcast and Telecoms & M2M"

We are focusing on core business activities that drive profitable growth and shareholder value in our quest to become the most efficient and effective provider of communications infrastructure in the UK. We will continue to play a central role in helping to enable an innovative and vibrant digital economy here in the UK.



The first point worth noting, and celebrating, is the strength of our financial performance. It has been another excellent year for Arqiva, as we continue to see the reward from the strategic capital investment decisions over recent years, with our operating cash flow after investing activities improving significantly. The strong, and sustained, financial improvements are driven by a number of factors, including major programme rollouts (700MHz Clearance, DAB, 4G and smart metering), an improvement in programme execution and our ambitious cost reduction activities. Our on-going commitment to our FutureFit programme will ensure that we continue to strengthen our operating efficiency for the future.

Our strategy for growth

Our ambition is to be central to every vital connection that people in the UK make, every day. This means ensuring we remain competitive in our existing core markets as technology and demand for data drives change, and being at the heart of decision making about those markets. This has been evident with the DTT platform on which we worked with Broadcast Networks Europe and other global industry representatives to secure the continued protection of use of the DTT spectrum; as well as working with major broadcasters and Ofcom to ensure we are at the heart of the programme to clear spectrum to be used for mobile data services (i.e. our 700MHz Clearance programme). The next big evolution in our core markets is the emergence of 5G.

In March 2017, the UK Government released "A 5G Strategy for the UK" supporting the views of the National Infrastructure Commission report. The strategy lays out the ambition and actions required to create an environment that positions the UK as a "global leader in the next generation of mobile technologies and digital communications". The report states that to deliver the high speed, high capacity capabilities of 5G will likely require the deployment of a significant number of small cells.

We are already well placed to play a leading role in the deployment of 5G technology which will bring major benefits to consumers in the form of faster mobile data connections. In February 2017 Arqiva announced a partnership with Samsung to run the first UK 5G field trials using fixed wireless access in the 28GHz spectrum for which we have a national licence. In recent months we have also acquired a further licence to use this spectrum which covers Central and Greater London and bolsters Arqiva's existing spectrum band ownership. The trial is now in operation in Arqiva's London offices over the summer and showcases its solution to demonstrate what superfast connectivity will mean for UK business and residents.

Financials

There has been strong growth in our business with revenue up 6.7%[1], earnings[2] up 10.0% and cash generation[3] up 46.7%. What is particularly pleasing is that we have seen growth across each of our businesses.

1 Reported revenues of £943.8m in 2017, and £884.7m in 2016

2 Referencing EBITDA as reported on page 21 (2017: £467.0m; 2016: £424.4m)

3 Referencing operating cash flow after capital and financial investment activities as reported on page 21 (2017: £332.5m; 2016: £226.6m)

The main drivers of growth were in Telecoms & M2M and Terrestrial Broadcast, with revenues up 18.5%[1] and 6.3% respectively. A significant proportion of this has come from recurring revenues from the core telecoms towers business, DTT platform and radio contracts, and the Group's smart metering network. Added to this we've seen greater revenues driven by customer improvement programmes, specifically accelerations to 4G equipment upgrades to assist MNOs in meeting coverage requirements, and meter sales in relation to the smart water metering contract with Thames Water.

Satellite and Media benefitted from new HD channel sales, a new agreement with Al Jazeera Media Network for global teleport distribution services and foreign exchange gains.

The visibility of revenues with a contracted order book of £5.7 billion, inflation-linked pricing, and the opportunity to increase utilisation of our infrastructure, places Arqiva in a very strong position to continue to deliver stable profitable growth. Our on-going and significant investment in digital broadcast infrastructure; 4G, 5G, in-building solutions and small cells underlines Arqiva's commitment to support the UK's ambition to have a vibrant and globally competitive economy.

Alongside our growth strategy, our transformation programme, 'FutureFit', is lowering our cost base; streamlining processes, modernising and making our systems more robust, resulting in improved customer service and operational delivery.

Operational delivery

We have continued to successfully deliver, to our clients satisfaction a number of large-scale projects which leverage our tower infrastructure, including smart energy and water metering.

During the year our smart energy metering contract for the North of England went 'live' bringing new, and recurring, revenue streams into the M2M business. The rollout of the network is currently at 92% coverage and the rate of rollout to consumers' homes is expected to accelerate over the next 12 months following service user testing.

Following the excellent delivery and results on the smart water metering contract with Thames Water, our customer has taken the decision to accelerate their network deployment. This will help to achieve coverage of 3 million homes several years earlier than originally planned in order to realise the benefits of extended coverage sooner.

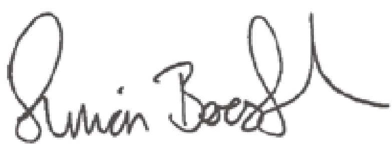
The Group is progressing with the DAB rollout programme for the BBC, and has completed upgrades to the analogue radio network as part of the BBC New Radio Agreement. Additionally the Group is now completing the final sites of the present phase of its commercial local DAB programme, meeting the government's target of 90% coverage during this financial year; and with the final sites in this phase expected later this calendar year. At present there is no definitive timetable set for the switchover from analogue to digital; however the new Minister of State for Digital and Culture, Matt Hancock, has reconfirmed that a review of switchover policy will take place when digital radio accounts for more than 50% of total listening.

Activity in relation to the 700MHz clearance programme has increased as we move into the programme delivery phase. Arqiva is responsible for a wide range of services required as part of the programme including spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency.

Within the Satellite and Media business unit, technology improvements have been implemented to increase transponder capacity on existing transponders as well as exiting certain low margin contracts. UKDTH has achieved growth of HD channels.

Outlook

This is an exciting time for the business with improvements in financial performance and operational efficiency. Combined with the continued leveraging of our critical national infrastructure we are well placed to benefit from emerging market opportunities, such as 5G. I am confident that our strategy, together with the support of our people, will continue to deliver our objectives and enable us to grow as a business.



Simon Beresford-Wylie
Chief Executive Officer
September 2017

1 Referencing organic growth, i.e. reported revenues adjusted for the impact of disposed businesses

Business overview

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

Arqiva is the leading UK communications infrastructure company operating at the heart of a vibrant digital economy.

The Group is an independent provider of telecom towers, with circa 8,000[1] active licensed macro sites, and the only national provider of terrestrial television and radio broadcasting. Arqiva has invested circa £800 million in the past five years allowing it to develop its communications infrastructure and technology as markets evolve.

Arqiva earns network access and transmission service revenues from its customers, as well as fees for engineering services and new projects. Arqiva's infrastructure tends to be mission-critical for its customers, for example it provides MNOs and PSBs with the network coverage necessary for the fulfilment of their universal service obligations ('USO's) and targets. This mission critical status underpins long-term, stable demand for Arqiva.

A pioneer in an always on, always connected world.

Attractive UK communications infrastructure market

- Explosive data traffic growth, proliferation of mobile devices and 4G roll-out driving coverage requirements and demand for telecoms towers and small cells; and
- DTT is the most popular TV platform in the UK reaching 24 million homes and covering 98.5% of the UK population.

A market leader

The following key competitive positions make Arqiva the market leader:

- The largest independent provider of telecom towers with c.8,000[1] active licensed macro sites;
- Sole provider of terrestrial television network access (Freeview); and
- Pre-eminent role in radio broadcasting both locally and nationally.

High barriers to entry

Arqiva owns critical national UK infrastructure that enables MNOs and PSBs[2] to meet their government mandated universal coverage obligations.

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

Significant investment would be required to replicate the infrastructure, together with UK planning permissions to erect new masts which is unlikely to be obtainable. Arqiva also has long established relationships with its customers spanning more than 80 years and long term contracts.

1 Including contractual obligations

2 Refers to Public Service Broadcasters ('PSBs')

Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936 it carried the BBC's first television broadcast. In 1978 it enabled Europe's first satellite TV test. By the 1990s Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. In the 2000s, it launched the UK's national DAB radio and digital terrestrial television network. Most recently, Arqiva has played a pioneering role in the roll-out of the national smart energy metering network, utilised its infrastructure to ready 10 major UK cities for the emergence of IoT applications, has supported the continued roll-out of 4G data coverage, and is at the forefront of the emergence of 5G.

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

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

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

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

Business model and business units

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

Arqiva seeks to maximise shareholder value by leveraging its considerable site portfolio to maximise its potential. Arqiva has a wide range of service capabilities including:

- Broadcast transmission from its towers;
- Telecommunications from active licensed macro sites;
- Fibre cable connections;
- DTT, radio and satellite multiplexes;
- Small cells and in-building services;
- Machine-to-machine (M2M) network connectivity supporting smart networks and other IoT applications; and
- Satellite transmission and play-out.

Arqiva's business operates through the following customer-facing business units, supported by the Group's corporate functions:

Terrestrial Broadcast

Terrestrial Broadcast owns the infrastructure for the transmission of terrestrial TV and radio, operates the Group's licensed multiplexes, and delivers related engineering projects. Revenues are derived from the utilisation of the Group's transmission sites, provision of transmission services, charges for access to spectrum, and for provision of engineering services. The Group is currently earning revenue on delivery of the programme to clear the 700MHz frequency range of television signals, so that it can be used for mobile data.

Within the Terrestrial Broadcast division, Arqiva has a total of circa 1,500 TV and radio transmission sites. Of these sites the Group utilises its network of circa 1,150 for TV to carry Freeview into circa 24 million households every day, making it the UK's most popular TV platform. Arqiva's network is of significant national strategic importance providing coverage to 98.5% of the UK's population.

Arqiva is a market leader in commercial DTT spectrum, owning the licences for two of the three main national commercial DTT multiplexes, enabling leading broadcasters such as UKTV, Sky, CBS and Turner to deliver broadcasting content using our channel capacity. Arqiva also owns both HD-enabled DTT multiplex licenses that provide services to Freeview and other DTT-related platforms including Youview. Furthermore, the business unit utilises circa 700 transmission sites for radio, providing coverage to circa 90% of the UK population. Arqiva is a shareholder in and operator for both commercial national DAB radio multiplexes and it is the service provider for the BBC national DAB radio multiplex. TV and radio broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.8bn which includes major contracts running as far as 2034.

Telecoms & M2M

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

The Telecoms & M2M division is the UK's largest independent provider of wireless towers, with circa 8,000[1] active licensed macro sites. It works with major blue-chip customers including BT-EE, Vodafone, Telefonica O2 and Three UK through the MBNL and CTIL network sharing

1 Including contractual obligations

Telecoms & M2M (continued)

agreements, from which Arqiva earns site share revenues and delivers equipment upgrades for the roll-out of 4G. These towers are central to Mobile Network Operators' contractual obligations and requirements to provide up to 98% 4G coverage by the end of 2017.

Arqiva has a leading position in providing neutral host In-Building solutions and DAS, with 47 systems installed in locations including Canary Wharf, Selfridges and Bluewater. Arqiva also has access to over 339,000 municipal street furniture sites for the provision of Small Cells and commercial wireless networks across 14 London Boroughs and in three UK cities including Manchester.

Telecoms & M2M has continued to be an area of revenue growth for the Group, with an order book in excess of £1.6bn with some contracts running as far as 2029.

With a focus on innovation, Arqiva is embracing one of the world's fastest developing sectors - M2M - for which Arqiva utilises its Flexnet network (for smart metering – gas, electricity and water) and SIGFOX (for Low Power Wide Area solutions). The Group has invested in building M2M networks, which are now supporting a major energy metering contract spanning 15 years and covering more than 9 million premises, and a water metering contract which will cover 3 million homes in a, now accelerated, initial phase of 6 years, with likely extension for an additional 10 years. Arqiva has invested substantially in infrastructure as a result of these contracts, which now result in recurring cash flows during the long-term operational phases of the networks.

Satellite and Media

Satellite and Media owns and operates teleports at key locations in the UK, as well as an international terrestrial fibre network, media facilities and leased satellite capacity. The Group has more than 40% market share[1] in up-linking and it serves as an alternative to Sky's own up-linking services. These enable the business to provide customers with a comprehensive range of services to deliver their data, broadcasts and media services internationally.

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

Arqiva manages the distribution of more than 1,100 international TV channels including coverage of high profile sporting events, and provides playout services for more than 100 channels for high profile customers including Al Jazeera, Discovery, BT Sport, Sky, NBCU, Sony and Turner. Arqiva's operation of reliable and secure VSAT[2] communications networks across the globe utilises a world class satellite and fibre network, providing real-time critical communications to remote locations, including oil and gas exploration. Arqiva uses its expertise and experience to enable it to keep pace with rapidly changing dynamics and technology advancements, thereby underpinning the longevity and success of the Satellite and Media business. Examples of this include the use of IP technology to provide video-on-demand services on a pan-European basis, and also developing the metadata layer behind Freeview Play. Satellite and Media has an order book of £0.2bn which is comprised of short-to-medium term contracts extending out to 2026.

Corporate

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

1 In reference to the number of transponders accessed through up-linking services.

2 Refers to 'Very Small Aperture Terminal' ('VSAT')

Strategic overview

Arqiva's vision is the statement of its ambition for the future to be central to every vital connection that people in the UK make, every day.

Arqiva's core values guide how people work together and with customers:

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

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

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

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

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

- Strengthening Arqiva's position as the UK's leading independent communications infrastructure provider by increasing the Group's site portfolio;
- Establishing Arqiva as the leading UK provider of indoor DAS and Small Cells by leveraging Arqiva's street infrastructure and exclusive concessions in prime locations;
- Continued development of the UK's DTT platform capacity and capabilities, supporting long-term use of the sub-694MHz spectrum following the 700MHz clearance programme;
- Further extension of DAB coverage in the UK, strengthening DAB as the platform for the future as plans progress for an eventual analogue radio switchover;
- Driving new radio revenues across multiplexes and increasing capacity utilisation, including that of the new second National DAB multiplex;
- Building value in the IoT business by leveraging Arqiva's two key networks: Flexnet for smart meters (gas, electricity and water) and SIGFOX for low power wide area solutions;
- Improving the operational efficiency and capacity utilisation within the Satellite and Media business, and continued expansion of media management capability including video-on-demand, streaming, cloud services, metadata management and other over-the-top services;
- Continuing the group-wide focus on efficiencies (driving operational excellence through process mapping, continuous improvement, best-in-class systems and effective field-force management) and cost base optimisation (i.e. the FutureFit programme);
- Maintaining the robustness of Arqiva's capital structure and maintenance of an investment grade credit rating; and
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a truly great place to work.

Business update

The Group's contracted orderbook value at 30 June 2017 was £5.7bn. In the year the Group won circa £340m of new contracts. A significant proportion of the value of this orderbook relates to medium to long-term contracts which includes DTT and radio transmission, site sharing and smart metering (energy and water), as well as satellite and other infrastructure services. The Group remains focused on pursuing growth opportunities in targeted, core infrastructure areas.

Terrestrial Broadcast developments

DTT platform

In the UK, DTT is broadcast primarily under the Freeview brand name. As at 30 June 2017 Arqiva's two main DVB-T Multiplexes had utilisation of 31 videostreams. An on-going high level of Multiplex utilisation demonstrates the continued attractiveness to broadcasters of the Freeview DTT platform. In March 2017 Freeview announced that sales of Freeview Play TVs and set-top boxes had surpassed the one million mark. The Freeview Play service was launched in late 2015 and provides consumers with a seamless combination of DTT channels plus catch-up and on demand content with no monthly subscription. Arqiva was responsible for developing the technical solution that is at the heart of the Freeview Play service. The achievement of this one million mark is a strong indication of the attractiveness of hybrid DTT / IP TV services in the UK where DTT remains the underlying delivery mechanism that has a core free-to-air linear content base with a variety of OTT services on-top.

700MHz Clearance and DTT spectrum

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

The Group has contracted with the major broadcasters and Ofcom for the delivery of the programme. Arqiva is responsible for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The 700MHz Clearance programme has been a strong driver of revenue growth in the Terrestrial Broadcast business during this financial year. The programme remains on schedule.

Digital radio (DAB) rollout

The Group is progressing with the delivery of the DAB rollout programme for the BBC, and has completed upgrades to the analogue radio network as part of the BBC New Radio Agreement. Arqiva has built 162 new transmitters for the BBC since rollout began to reach the targeted UK national DAB network coverage of more than 97% of the population. The final site of the 163 required to deliver the current phase of the rollout programme will be completed in the autumn.

The Group is also progressing with the delivery of Commercial local DAB. The programme is part of an initiative to meet the local DAB coverage threshold of 90% set by the UK Government in 2010 which was achieved by the end of September 2016 with the completion of 185 new sites. In total Arqiva is delivering new transmitters or upgrades at 221 sites and as at 30 June 2017 work had been completed at 213 sites. The final sites for this phase will be completed during autumn 2017, taking commercial local DAB coverage to over 91%.

Arqiva's DAB Multiplexes have continued to show high utilisation levels due to strong demand for radio services and radio listening in the UK.

Telecoms & M2M developments

Small cells opportunities and 5G

In March 2017, the UK Government released its "A 5G Strategy for the UK" document which further supported the views of the National Infrastructure Commission report of December. The strategy lays out the ambition and actions required by the Government to create an environment that positions the UK as a "global leader in the next generation of mobile technologies and digital communications". The report states that to deliver the high speed, high capacity capabilities of 5G will likely require the deployment of a significant number of small cells.

In February 2017 Arqiva announced a partnership with Samsung to run the first UK 5G field trials using Fixed Wireless Access in the 28 GHz spectrum acquired by the Group. The trial was also noted in the March 2017 Government document above as an example of a project to help build the case for 5G networks. The trial is now operational in Arqiva's London offices.

The Group has also been actively developing its outdoor small cells proposition. Arqiva's solution uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. The Group expects to receive commercial orders during the current financial year from two MNOs. To drive value, Arqiva is also developing initiatives to explore how to make deployment easier and cheaper.

Arqiva is fully committed and well placed to support the UK in its efforts to become 5G ready.

Smart energy metering rollout

Arqiva is building a smart metering communication network in the North of England and Scotland as part of a 15-year contract signed in September 2013 with the Data and Communications Company (the 'DCC', a body licensed by statute and backed by the utility companies).

In November 2016, the DCC entered operational service ('go-live') throughout Great Britain following the completion of integration testing. The Arqiva network, which forms part of that, is successfully transmitting and receiving test messages between DCC users (the energy companies) and consumer electricity and gas meters. The rollout of the service to consumers' homes is expected to accelerate over the next 12 months following service user testing. The rollout of the Arqiva network continues to evolve and has achieved 92% coverage of premises in conjunction with the Group's minimum line commitments.

During the year, the Group's recurring revenues increased under the contract as additional streams of revenue were triggered on achievement of go-live.

Furthermore, Arqiva has signed a change request order with DCC which sets out the additional charges to be paid to Arqiva in relation to specification and timing modifications to the programme.

Smart water metering rollout – Thames Water

In March 2015, Arqiva signed a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The contract is for an initial six-year term that is extendable up to a total of sixteen years. The service is expected to cover 3 million homes once fully deployed. The service is currently live with over 195,000 meters installed to date completing the initial rollout phase.

Following the excellent delivery and results achieved to date, Thames Water have taken the decision to accelerate the smart metering network deployment. This will help to achieve coverage of 3 million homes several years earlier than originally planned in order to realise the benefits of extended coverage sooner. Arqiva has been instructed to deploy the full network coverage across London and we are targeting completion by the end of 2018.

Smart water metering trial contract win – Anglian Water

In July 2016, Arqiva won a contract with Anglian Water for the delivery and monitoring of a smart water metering fixed network trial for the deployment and operation of 7,500 new water meters. This is a four-year contract and is part of Anglian Water's plans for a long-term smart metering programme. With the coverage network build complete, the trial went live in December 2016. To date over 5,600 smart water meters have been installed.

Kingston upon Thames street furniture concession secured

During April 2017 Arqiva added Kingston upon Thames to its portfolio of London borough concessions, giving the Group access to further sites. The concession will give Arqiva the exclusive right to design, implement and operate commercial wireless networks on municipal street furniture sites in this borough. This development supports Arqiva's strategy of developing its small cells proposition and brings the Group's total number of concessions to 17.

Business update

4G rollout

The four Mobile Network Operators ('MNOs') continue to increase their 4G network coverage and Arqiva continues to carry out large volumes of antenna and feeder upgrade projects. This has resulted in a significant year on year increase in Installation Services revenues. The Group had completed 6,787 4G equipment upgrades across Arqiva sites up to 30 June 2017 since rollout began in 2014. A further circa 2,700 upgrades are in progress or have been requested by the MNOs over the next 12 months. Installation Services supports the Group's towers business where activity has been ramping up as the MNOs leverage Arqiva's estate and capability to help them achieve their coverage requirements.

Disposal of WiFi business

The disposal of the WiFi business, a business which sat outside of the core activities of the Group, was completed successfully in November 2016. Within the sales agreement Arqiva signed a partnership to provide indoor coverage solutions to the acquiring company's customers. Approximately 120 employees were transferred following a consultation process as part of the sale.

Internet of Things ('IoT')

Additionally, Arqiva continues to evolve its M2M and IoT business by leveraging its network solution to a broader range of industry sectors. Arqiva is targeting the use of its existing M2M networks in key sectors such as utility infrastructure operations, asset management optimisation and smart building enablement.

The Digital Catapult's IoT Boost programme is designed to help businesses and entrepreneurs develop IoT products and services, with IoTUK Boost aiming to tackle barriers to entry in the IoT marketplace across the country.

The programme gives Arqiva the opportunity to showcase how its SIGFOX network can complement other technologies and give access to technology to those currently excluded.

Satellite and Media

Occasional use partnership

During the year Arqiva signed an exclusive multi-year partnership with multi-platform media company Red Bull Media House to distribute live video sports content to international broadcasters. As part of this partnership Arqiva is responsible for distributing the content globally through the Group's teleports to the rights holders.

Other business developments

'FutureFit' programme

During the year the Group launched an organisation-wide programme called 'FutureFit'. Through this transformation programme Arqiva will streamline and standardise its processes, modernise IT systems and achieve significant cost efficiencies and savings. The programme will drive the following initiatives:

- Review of operational end-to-end processes across the business followed by a transformation of IT systems aimed to deliver improvements in operational efficiency, eliminate waste and deliver improvements in customer services; and
- Cost reductions in spending on third party suppliers in all areas, with the target of delivering gross annual savings of circa £60m per annum by 2020. The Group is reviewing all areas of third party spend and progressing with a number of actions; consolidating demand across the Group to ensure best prices, re-negotiating supplier contracts, reducing spare capacity and wherever possible eliminating spend through process optimisation activities.

To date 'FutureFit' has delivered over £20m of recurring gross annual savings which was incremental to the cost reductions achieved during the previous two financial years. Good progress is being made to secure the next tranche of savings. Key developments in the year include a reduction in leased line costs; the elimination of excess satellite transponder capacity; and cost reductions in a number of other operating cost areas.

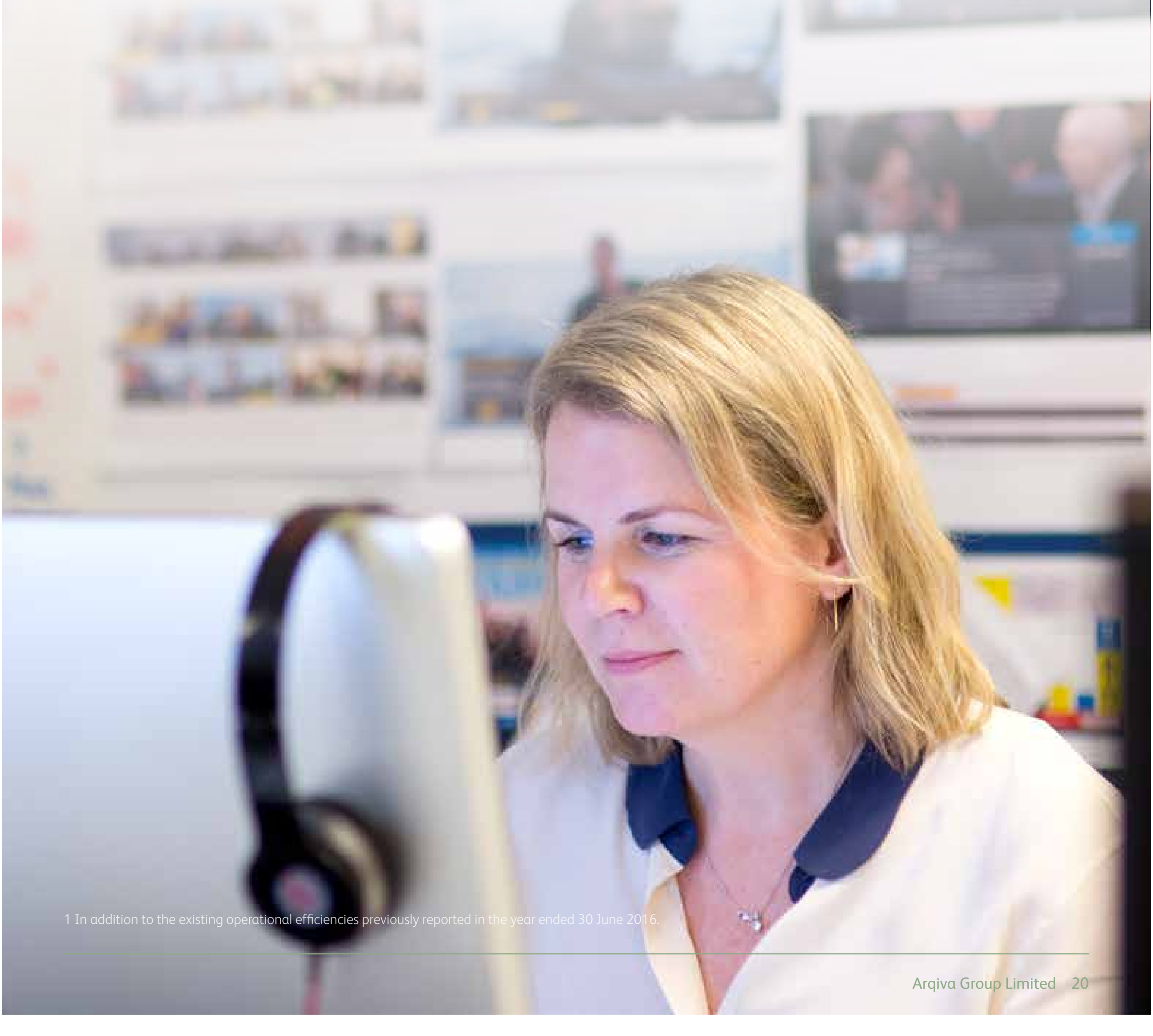
Refinancing

In November 2016 the Group successfully completed the refinancing of its existing bank facilities which included a £353.5m bank term loan; capital expenditure and working capital facilities totalling £390m, all of which were due to mature in February 2018; and the Group's liquidity facility of £250m. The Group extended the maturity of its facilities and simplified its financing arrangements by establishing new facilities with maturities ranging from June 2020 to December 2029. In line with the financings that have taken place since 2013, Arqiva restructured the interest rate swaps linked to the £353.5m bank term loan to remove the breaks and match the profile of the new debt instruments. Further information is set out on page 24.

S&P and Fitch confirmed their rating of Arqiva's senior debt at BBB following the establishment of these new facilities.

Shareholders strategic review

Arqiva's shareholders are jointly undertaking a strategic review of their investment in Arqiva, which may lead to a transaction involving their interests in the Company. There is no certainty that the strategic review will result in any transaction. Further announcements will be made as and when appropriate.



1 In addition to the existing operational efficiencies previously reported in the year ended 30 June 2016.

Financial review

Headline financials

Revenue
↑ 6.7% to
£943.8m

Operating profit
↑ 4.9% to
£284.5m

EBITDA
↑ 10.0% to
£467.0m

Loss before tax
↓ loss increased by 71% to
£(427.0)m
loss includes non-cash charges (net) of £636.7m (2016: £435.6m) – (see page 23)

Operating cash flow
↑ 25.7% to
£470.6m

Operating cash flow after capital and financial investment activities
↑ 46.7% to
£332.5m

Financial performance

For the year ended 30 June 2017, revenue for the Group was £943.8m, an increase of 6.7% from £884.7m in the prior year. Revenue includes £7.3m (prior year £28.8m) from businesses disposed of during the current and prior year, i.e. the Group's former WiFi and Secure Solutions businesses. Excluding the effect on financial performance of these disposals, organic revenue growth from the continuing business was 9.4%.

Revenue by operating segment	30 June 2017 £m	30 June 2016 £m	Variance %
Terrestrial Broadcast	449.0	422.4	6.3
Telecoms & M2M	347.9	316.3	10.0
Satellite and Media	146.9	146.0	0.6
Total	943.8	884.7	6.7

Terrestrial Broadcast revenues increased by 6.3% from £422.4m to £449.0m year on year. Recurring revenues from the Group's DTT multiplexes increased mainly as a result of new channel launches and other items. The Group had utilised 31 videostreams on its main multiplexes and increased channel sales on its DVB-T2 (HD enabled) multiplexes during the financial year. Radio contracts (resulting from the DAB rollout and increased transmission activity thereon), an increase in activities in relation to the 700MHz Clearance Programme, and RPI linked increases on broadcast contracts delivered further growth.

Telecoms & M2M revenues increased by 10.0% from £316.3m to £347.9m year on year. The increase in revenue resulted primarily from growth across the Group's core telecoms towers business driven by increased site numbers under the Group's control and associated activities, accelerations to Installation Services activity to assist MNOs in meeting coverage requirements, and the M2M business. The increase in M2M revenues was principally as a result of recurring network availability charges commencing in December 2015 on the Group's smart energy metering contract, together with additional revenues from meter sales in relation to its smart metering contract with Thames Water.

Satellite and Media revenues increased by 0.6% from £146.0m to £146.9m year on year. These benefited from new HD channel sales, a new agreement with Al Jazeera Media Network for global teleport and distribution services and foreign exchange gains. These revenue improvements were, however, partially offset by the continuing impact of exiting certain low margin contracts.

Gross profit was £586.9m, representing an 8.5% increase from £540.9m in the prior year. Gross profit from the continuing business[1] increased by 9.6% year on year as a result of strong revenue growth and improvements in the efficiency of service delivery.

The savings generated under the FutureFit programme enable the growth in revenue to be delivered with only a modest increase in the cost base

Other operating expenses before exceptional items were £120.1m, up 2.9% from £116.7m in the prior year. The increase is principally due to higher rewards and bonuses under management and employee performance frameworks due to the business outperforming expectations. This outperformance is primarily attributable to cost saving initiatives and operational efficiencies, which partially offset these increased costs, and become embedded into a reduced cost base for future financial periods.

EBITDA for the Group was £467.0m, representing a 10.0% increase from £424.4m in the prior year due to the increase in gross profit and the lower operating cost base (including the, now, embedded savings), partially offset by the increase in employee reward and performance costs as set out above.

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

EBITDA by operating segment	30 June 2017 £m	30 June 2016 £m	Variance %
Terrestrial Broadcast	329.4	308.0	6.9
Telecoms & M2M	154.1	132.8	16.0
Satellite and Media	35.0	32.1	9.0
Other[2]	(51.5)	(48.5)	(6.2)
Total	467.0	424.4	10.0

EBITDA for the Group's Terrestrial Broadcast business was £329.4m, representing a 6.9% increase from £308.0m in the prior year. The growth was mainly due to full utilisation of the increased capacity on the main multiplexes, on-going DAB rollout and 700 MHz Clearance activities as well as uplifts on inflation linked contracts.

EBITDA for the Group's Telecoms & M2M business was £154.1m, a 16.0% increase from £132.8m in the prior year. This was principally due to the growth in the core telecoms towers business, and the smart energy metering contract reaching its operational phase.

EBITDA for the Satellite and Media business was £35.0m which was a 9.0% increase from £32.1m in the prior year. Revenue growth has been further supported by rationalisation of Satellite capacity costs and headcount savings to drive earnings growth.

The increase arising from other costs versus the prior year was mainly driven by higher rewards and bonuses under management and employee performance frameworks due to the business outperforming expectations. Additionally there were adverse movements in foreign exchange versus favourable movements in the prior year.

Depreciation (2017: £141.6m; 2016: £129.4m) and amortisation (2017: £12.6m; 2016: £10.4m) were collectively 10.3% higher year on year. This was due to an increase in the underlying tangible asset base of the Group (particularly in connection with Smart Metering contracts) and the accelerated depreciation and amortisation on certain assets (particularly asset replacements connected with the 700MHz Clearance Programme and software impacted by the Group's FutureFit IT and system investment respectively).

Exceptional items charged to operating profit were £29.5m, up from £13.6m, relating predominantly to reorganisation and changes to employee terms and conditions costs as the Group executes its new FutureFit operational efficiency programme.

Operating profit for the year was £284.5m, an increase of 4.9% from £271.1m in the prior year. The increase was due to the additional EBITDA generated from each of the Group's businesses, partially offset by higher exceptional charges and higher depreciation and amortisation charges. A reconciliation between operating profit and EBITDA is presented on page 23.

1 Excluding the financial effect of the disposed non-core business areas outlined above – 2017 gross margin: £1.7m; 2016 gross margin: £7.2m.
2 Other refers to the Group's corporate business unit. See page 13 for a description of the Group's business units and the activities involved.

Financial review

Reconciliation between operating profit and EBITDA	30 June 2017 £m	30 June 2016 £m
Operating profit	284.5	271.1
Exceptional items charged to operating profit	29.5	13.6
Depreciation	141.6	129.4
Amortisation	12.6	10.4
Share of results of associates and joint ventures	(0.3)	(0.1)
Other income	(1.1)	(0.2)
Other[1]	0.2	0.2
EBITDA	467.0	424.4

Finance costs (net of finance income) were £578.4m, an increase of 8.1 % from £535.0m in the prior year. The increase was primarily due to the compounding effect of interest on outstanding shareholder loan note principal and accrued interest, higher interest rates and different phasing of new swap instruments that were restructured as part of refinancing in November, and the effect of the annual margin step-up on the Group's former bank facilities prior to refinancing.

The Group reported £133.1m (losses) within other gains and losses in the year (2016: £14.3m gains). This principally arises from adverse fair value movements (loss of £104.2m) recorded in respect of derivative contracts, attributable to changes in market yields and credit spreads. An £8.3m loss was recognised in relation to foreign exchange movements on foreign denominated debt instruments, however the cross currency swaps provide an economic hedge to the Group's US$ denominated debt. The losses recorded in the year also include £15.4m losses upon closing out certain swap arrangements in connection with the refinancing in November and £5.2m losses on disposal of the Group's WiFi business.

Loss before tax was £427.0m, up from a loss of £249.6m in the prior year. The loss before tax is reported after non-cash charges of £636.7m (2016: £435.6m):

Reconciliation between loss before tax and profit before tax and non-cash charges/(gains)	Year ended **30 June 2017** £m	Year ended **30 June 2016** £m
Loss before tax	**(427.0)**	**(249.6)**
Depreciation	141.6	129.4
Amortisation	12.6	10.4
Share of results of associates and joint ventures	(0.3)	(0.1)
Accrued interest on shareholder loan notes	316.6	278.5
Other non-cash financing costs [2]	33.1	31.7
Foreign exchange revaluations on financing	8.3	38.1
Fair value movements on derivative financial instruments	104.2	(38.0)
Exceptional close out of swap arrangements	15.4	-
Exceptional loss / (profit) on disposal of subsidiary	5.2	(14.4)
Total non-cash charges	**636.7**	**435.6**
Adjusted profit before tax and non-cash charges	209.7	186.0

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

[2]Includes amortisation of debt issue costs, unwinding of the discount on provisions and imputed interest.

Net cash inflow from operating activities was £470.6m, representing an increase of 25.7% from £374.5m in the prior year. This increase is owing to lower investment in working capital and the additional EBITDA generated.

Net capital expenditure and financial investment was £138.1m, representing a decrease of 6.7% from the prior year. In the year there were £23.2m net proceeds on the disposal of the Group's WiFi business (2016: £16.4m net proceeds on disposal of the Group's payphones business).

Operating cash flow after capital and financial investment activities was £332.5m, an increase of 46.7% from £226.6m in the prior year.

Reconciliation between net cash inflow from operating activities and operating cash inflow after capital and financial investment activities	30 June 2017 £m	30 June 2016 £m
Net cash inflow from operating activities	**470.6**	**374.5**
Purchase of tangible and intangible assets	(161.3)	(170.0)
Sale of tangible assets	-	5.7
Disposal of subsidiary undertakings	23.2	16.4
Net capital expenditure and financial investment	**(138.1)**	**(147.9)**
Operating cash flow after capital and financial investment activities	332.5	226.6

Financial position

Net liabilities were £3,393.7m, representing an increase of 14.4% from £2,965.7m in the prior year. This increase principally arises from refinancing of borrowings and adverse fair value movements recorded in respect of derivative contracts.

Financing

The Group established its Whole Business Securitisation ('WBS') structure in February 2013, and since then it has continued to refinance elements of its debt structure further extending its maturity profile. The most recent exercise in November saw the refinancing of the Group's bank facilities (originally entered into in February 2013) which comprised a £353.5m bank term loan, capital expenditure and working capital facilities, all of which were due to mature in February 2018; and the Group's liquidity facility. The Group extended the maturity of its facilities by establishing the following:

- a £218.5m amortising, sterling denominated, floating rate, US private placement with a final maturity of December 2029;
- a £255m amortising term bank facility with an expected maturity of June 2020 and a legal final maturity of December 2024 (of which £100.0m principal was repaid in the current year);
- a £250m bank facility for capital expenditure purposes having an expected maturity of March 2021 (undrawn at June 2017);
- a £140m bank facility for working capital purposes having an expected maturity of March 2021 (£86.0m drawn as at June 2017); and
- a £250m liquidity facility, which matures in 2041, that replaces the existing liquidity facility and which is a typical requirement for securitisation structures (undrawn as at June 2017).

In line with the financings that have taken place since 2013, Arqiva restructured the interest rate swaps linked to the £353.5m bank term loan to remove the breaks and match the profile of the new debt instruments above.

S&P and Fitch confirmed their rating of Arqiva's senior debt at BBB following the establishment of these new facilities.

Additionally in the year the Group agreed with its shareholders to settle outstanding amounts of accrued interest (£874.5m) with an equivalent value of payment-in-kind ('PIK') notes being issued in consideration, as reflected in the financial statements.

1 Includes amortisation of debt issue costs, unwinding of the discount on provisions and imputed interest.
2 Net cash inflow from operating activities after net capital expenditure and financial investment, and net proceeds/costs on the disposal/acquisition of subsidiary undertakings and other related investments

Financial review

At 30 June 2017 the Group's debt finance[1] comprised:

	Falling due				
	<1 year £m	1-2 years £m	2-5 years £m	>5 years £m	Total £m
Facilities drawn	86.0	1.1	-	0.1	87.2
Finance lease obligations	0.4	0.4	2.1	10.1	13.0
Senior term debt	-	-	155.0	370.0	525.0
Senior bonds and notes	13.3	77.3	687.8	1,092.1	1,870.5
Junior bonds	-	-	600.0	-	600.0
Shareholder loan notes	-	-	-	2,148.1	2,148.1
Total	99.7	78.8	1,444.9	3,620.4	5,243.8

Included within the above is £4,113.2m of fixed rate debt and £1,130.6m of floating rate debt. The Group holds interest rate swaps (including inflation-linked interest rate swaps) and cross-currency swaps to hedge its interest rate and foreign currency exposures. This hedging strategy is employed to ensure the certainty of future interest cash flows.

The Group continues to comply with all financial covenant requirements including the following historic covenant ratio requirements at the senior and junior financial levels.

	30 June 2017	30 June 2016
Senior debt level financial covenant ratios		
Maximum allowed ratio of net debt to EBITDA	7.50	7.50
Actual ratio of net debt to EBITDA	5.10	5.75
Minimum allowed ratio of cash flow[2] to interest	1.55	1.55
Actual ratio of cash flow[2] to interest	2.53	2.31
Junior debt level financial covenant ratios		
Maximum allowed ratio of net debt to EBITDA	8.50	8.50
Actual ratio of net debt to EBITDA	6.29	7.08
Minimum allowed ratio of cash flow[2] to interest	1.50	1.50
Actual ratio of cash flow[2] to interest	1.92	1.75

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

Liquidity

To ensure it has sufficient available funds for working capital requirements and planned growth, the Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. Details on the amounts drawn and available undrawn facilities as at 30 June 2017 is provided in the table below. The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions, which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of counterparty credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Drawings on facilities at 30 June 2017	Total Facility £m	Drawn £m	Available £m
Working capital facility	140.0	86.0	54.0
Capital expenditure facility	250.0	-	250.0
Liquidity facility	250.0	-	250.0
Other facilities[1]	31.6	1.1	30.5
Total	671.6	87.1	584.5

Going concern

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

1 Includes the Comms Hub Receivables Purchasing facility and Fee Facility established to support the Group's smart energy metering contract; with the facilities held within entities that sit outside the main Whole Business Securitisation ('WBS') financing group.

Key performance indicators

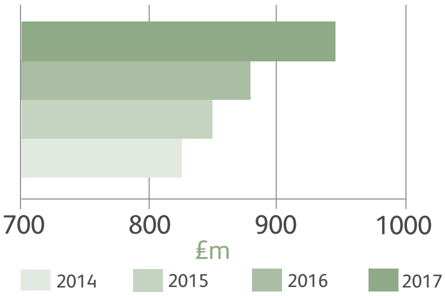
The Group uses a combination of financial and non-financial key performance indicators ('KPIs') to measure progress against its strategic priorities.

The Group's strategic priorities centre around:

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

Financial success and driving increasing returns…

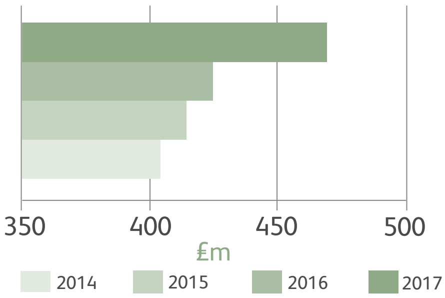
Revenue



Definition - Revenue is presented as per the financial statements, and in accordance with IAS 18.

Result - Revenue has increased 6.7% from the prior year (2017: £943.8m; 2016: £884.7m) and 4.6% on an annualised basis over the past four years. The primary drivers of this growth were within the Group's telecoms towers business and DTT and radio platforms which, in each case, benefitted from greater site numbers and/or greater capacity utilisation. Additionally revenue growth was driven by the Group's smart energy metering network reaching its operational phase.

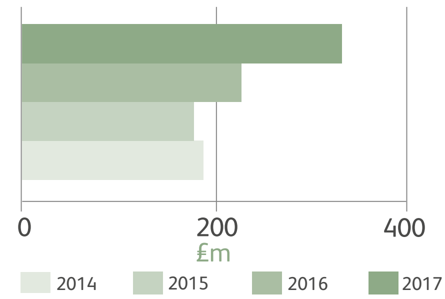
EBITDA



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

Result - EBITDA grew 10.0% from the prior year (2017: £467.0m; 2016: £424.4m) and 4.6% on an annualised basis over the past four years. The growth in the year outstripped the aforementioned revenue growth due to improved and more efficient operational service delivery and the divestment of lower-margin, non-core business areas.

Operating cash flow after capital and financial investment



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

Result - The cash generated was £332.5m, up 46.7% from the prior year; and representing annualised growth of 20.2% over the past four years.

Our customers…

Delivery on our customer promises

One of the key performance indicators of the Group is to meet its contractual milestones on time and to the required quality. The Group has continued to achieve this and engages with all contract stakeholders to meet future milestones. In 2017 this includes:

- The Smart Metering M2M contract, which went live in November and for which deliveries of communications hubs have begun triggering a number of contracted recurring revenue streams; and
- 700MHz clearance programme, which has continued to meet operational milestones. Work has commenced at Emley Moor to install the temporary mast. Air works were completed at ten main station sites and 45 relay sites. In addition, a trial at Selkirk was successfully completed which has helped to inform the UK government's viewer support policy.
- The programme to increase UK DAB network coverage continues to progress broadly in line with the contract milestones with completion expected by the end of the calendar year. The Group engages closely with programme stakeholders to ensure any minor delays and remedial plans are actioned in a timely manner.

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2017	99.99%	99.99%
2016	99.99%	99.99%
2015	99.99%	99.99%
2014	99.99%	99.99%

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

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

Our people…

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

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

Result - Whilst Arqiva understands that its drop in award rating doesn't represent a drop in standards (rather a re-benchmarking of the award), we strive to make continuous improvements against the assessment criteria to, again, achieve Gold accreditation under the revised framework.

Spotlight: Terrestrial Broadcast

c.1150
TV transmission sites

c.800[1]
radio transmission sites

4
DTT multiplex licenses

Services delivered

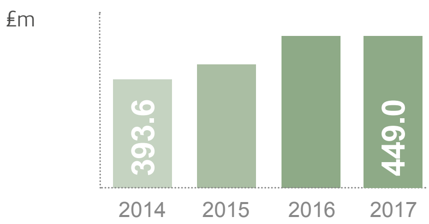
The Terrestrial Broadcast business unit provides transmission services and infrastructure for all terrestrial TV broadcasters and more than 90% of the UK's radio transmission, including ownership interests in the two commercial national digital radio multiplexes. Included within this business unit is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

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

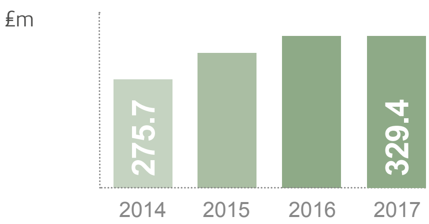
Our customers include...

Business unit snapshot

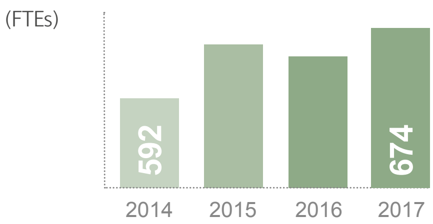
Revenue



EBITDA



Headcount



There was growth in Terrestrial Broadcast as a result of:

- New channel launches and associated increases;
- Utilising 31 videostreams on its main multiplexes and increasing channel sales on its DVB-T2 (HD enabled) multiplexes;
- DAB roll-out and increased transmission activity thereon;
- Increased activity in relation to the 700MHz Clearance programme; and
- RPI-linked increases on broadcast service contracts.

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

Market environment

The DTT platform, which is broadcast primarily under the Freeview brand name, remains the most popular television platform in the UK with a presence in more than 75% of households. In March 2017 Freeview announced that sales of Freeview Play TVs and set-top boxes had surpassed the one million mark. The achievement of this one million mark is a strong indication of the attractiveness of hybrid DTT / IP TV services in the UK where DTT remains the underlying delivery mechanism that has a core free-to-air linear content base with a variety of OTT services on-top.

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

Additionally, with the progress of the DAB roll out the business remains well placed to support any future decision to switch over from analogue radio broadcast.

Spotlight: Telecoms & M2M

c.8,000
active licensed macro sites

47
In-building systems installed

>12million
Premises to be covered by our smart networks

>300,000
municipal street furniture sites in 14 London Boroughs and 3 UK cities suitable for small cells installations

Services delivered

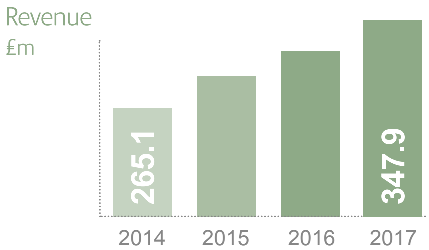
Arqiva's physical infrastructure gives mobile operators access to circa 8,000 active sites forming the Group's core telecom tower business. Space on towers is licensed to national MNOs and other wireless network operators to enable complete mobile communications networks ('site-share'). Arqiva also works with major mobile providers such as BT-EE, Vodafone, Telefonica O2 and Three UK to upgrade networks to support 4G and future mobile services such as 5G.

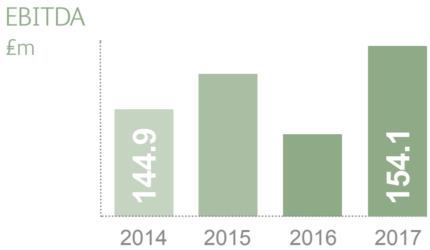
Arqiva is a UK host provider of indoor and outdoor Distributed Antenna Systems ('DAS') with 47 in-building systems installed in locations such as Canary Wharf, and is a provider of outdoor small cells infrastructure with exclusive access to street infrastructure in major UK cities including within 14 London boroughs and Manchester.

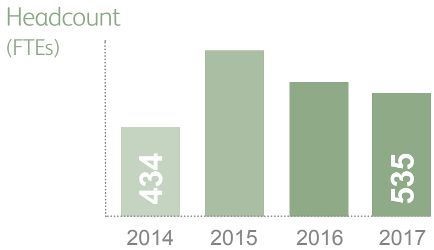
Utilising the Group's sites, Arqiva is building machine-to-machine networks as part of long-term contracts to provide a smart energy metering network for approximately 9.3 million premises in Scotland and the north of England, and a smart water metering network for customers in the south of England.

Our customers include...

Business unit snapshot







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

- Increased revenues and earnings from the core telecoms towers business due to site assignments and upgrades to existing sites;
- Accelerations in installation services activity to assist the MNOs in meeting 4G coverage requirements; and
- Greater recurring revenues from the smart energy metering contract (which went live during the year) and additional meter revenues in relation to smart water metering contracts.

Market environment

In March 2017, the UK Government released its “A 5G Strategy for the UK” document which further supported the views of the National Infrastructure Commission report. The strategy lays out the ambition and actions required by the Government to create an environment that positions the UK as a “global leader in the next generation of mobile technologies and digital communications”. The report states that to deliver the high speed, high capacity capabilities of 5G will likely require the deployment of a significant number of small cells.

In February 2017 Arqiva announced a partnership with Samsung to run the first UK 5G field trials using Fixed Wireless Access in the 28 GHz spectrum owned by the Group. The trial has also been noted in the March 2017 Government document above as an example of a project to help build the case for 5G networks. The trial is operational in London over the summer and showcases the solution, demonstrating what superfast connectivity will mean for UK business and residents.

The Group has also been actively developing its outdoor small cells proposition. Arqiva’s solution uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. The Group expects to receive commercial orders during the current financial year from two MNOs. To drive value, Arqiva is developing initiatives to explore how to make deployment easier and cheaper. The initiative combines shared cabinets and dark fibre in dense urban areas. Initial feedback from the MNOs has been encouraging and the Group anticipates further trials during the calendar year.

Arqiva is fully committed and well-placed to support the UK in its efforts to become 5G ready.

Spotlight: Satellite and Media

80 earth stations accessing 32 satellites

5 teleports

We deliver via satellite to 5 continents 24/7

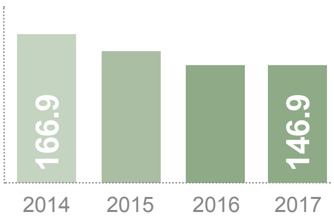
Services delivered

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

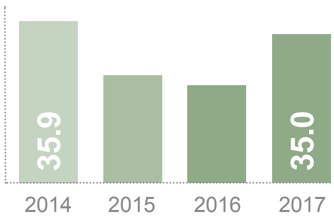
Our customers include...

Business snapshot

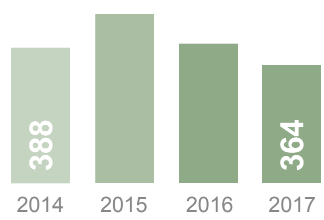
Revenue
£m



EBITDA
£m



Headcount
(FTEs)



There has been a drive to increase operational efficiency and carry out the managed exit from certain lower margin business areas in order to improve profitability and value for shareholders. Despite these managed exits the business saw some growth in revenues (more than replacing the areas exited) and, in particular, earnings principally due to:

- Increased earnings from the exit of certain low margin wholesale business and the termination of other low margin contracts;
- New HD channel sales;
- A new agreement with Al Jazeera Media Network for global teleport and distribution services; and
- The impact of foreign exchange.

Market snapshot

In satellite TV broadcasting the market has seen an increased demand for HD services. Since the launch of the Sky+ HD box nine years ago, there are around nine million in operation today[1]. HD services are seen as business critical, with big shows attracting the largest audience shares and therefore commanding the largest advertising revenues.

In recent years there has been growth in the number of different platforms, including the rise of over-the-top services and Internet Protocol delivered content. The broadcast market has, however, seen convergence in these technologies through, for example, Smart TVs and set-top boxes providing the end-user with a seamless experience regardless of the delivery method. As a result of the review of the operating model carried out during the prior year, Hybrid TV activities have moved in to the Satellite and Media business unit. For satellite the amalgamation of these additional services provides longevity to satellite distribution which is often thought of as more 'traditional television'. There has also been the launch of new cloud based Internet Protocol and over-the-top services, including remote and pop-up play-out as well as Internet Protocol streaming.

[1]Per www.freeviewuk.net/sky_tv.php

Corporate responsibility

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

Ingenious
Finding ingenious and smarter ways to support our customers

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

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

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

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

Environment

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

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

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

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

Health and safety

The Group is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare in its operations and for all those in the organisation and others who may be affected by its activities. The Group operates a safety management system that is accredited to the international standard OHSAS18001. The Board of Directors regularly review health and safety reports in relation to the Group's activities, employees and contractors.

Information security

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

In 2014, Arqiva became the first company in the combined Broadcast and Telecoms industry to achieve ISO27001 certification for all platforms and services (end to end) for all of its UK locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its security-conscious culture and compliance with this internationally recognised standard. There are two physical security audits and two internal security audits conducted every month in order to maintain the certification and since certification, Arqiva has passed every audit.

Additionally Arqiva has also attained the UK Government Cyber Security Essentials accreditation which enables it to supply into government departments. Moving forward, Arqiva is working to align its Business continuity and Disaster recovery plans to ISO22301 certification.

Employees

The average number of persons employed by the Group during the year was 2,100 (2016: 2,170). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

The Group's policy is to provide equal opportunities for all employees, irrespective of race, nationality, gender, sexual orientation, marital status, religion or political belief, disability or age.

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

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

The Group's employee forums provide an effective channel for communication and collective consultation across the Group. They play an important role in enabling employees to help the Group manage change effectively. The goals of each forum are to act as the formal consultative body for its part of the business within Arqiva, provide a voice to management on employee issues, initiate and support division-wide social activities, and promote consultation and sharing information.

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

The Group wants all of its employees to benefit from its success and growth as a business. The annual bonus scheme recognises the importance of high performance and is designed to reward employees for achieving targets and constantly improving overall performance, in line with the values. The scheme takes into account the targets that have been set by the Group and then multiplies this by a personal performance rating. The Group must achieve a minimum EBITDA performance before a bonus becomes payable which is then calculated based upon the financial KPIs of EBITDA and operating cash performance. The bonus payment for the financial year to June 2017 will be made in September 2017. In addition, certain members of senior executive management participate in a long-term incentive plan which is typically 3 years in duration and is designed to recognise the value of strategic initiatives being undertaken by the Group during the long-term incentive plan period. As with the annual bonus scheme, the Group must achieve a minimum threshold of financial performance before a bonus becomes payable under the long-term incentive plans which is then calculated based upon the 3 year Group financial KPIs of EBITDA and operating cash performance. All such arrangements are cash based incentive schemes which operate against documented performance targets and are reviewed at least annually by the Remuneration Committee (which comprises members of the Board of Directors).

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

	Female Number / %	Male Number / %
Board of Directors	3 / 23 %	10 / 77 %
Senior Executive Management	-	5 / 100 %
Group Employees	482 / 23 %	1,613 / 77 %

Corporate responsibility

Modern Slavery Act

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business. The supplier Code of Conduct reflects the commitment to acting ethically and with integrity in all business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in supply chains. The full statement is included on page 39 and is also available on the company website at www.arqiva.com.

Anti-Bribery and Anti-Corruption

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

Taxation

The Group's approach to tax is to ensure compliance with all legal and statutory obligations. Arqiva is committed to maintaining a transparent and constructive working relationship with HM Revenue & Customs and with local tax authorities in the jurisdictions in which it operates. The total contribution to UK tax receipts including business rates, tax and NI paid by both Arqiva and employees, totalled £72.9m for the financial year.

The Arqiva Group is a primarily UK based infrastructure group; while there are some trading operations outside of the UK these generate less than 1 % of operating profit and there are no tax planning activities undertaken which seek to reduce the Group's UK profits or revenues by transferring revenue or profit out of the UK. The Group's small trading entities overseas deal directly with customers in their area of residence and fulfil their tax requirements in the local jurisdictions.

This report was approved by the Board of Directors on 11 September 2017 and signed on its behalf by:

Paul Dollman, Director
11 September 2017

Arqiva is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business.

Slavery and Human Trafficking Statement

Overarching Statement

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

The statement has been made in respect of Arqiva Limited and Arqiva Services Limited, subsidiary undertakings within the Group.

Organisation's Structure

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

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

Arqiva Limited and Arqiva Services Limited (including their respective subsidiaries) each have an annual turnover in excess of £36.0m.

Our Supply Chains

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

We have a diverse range of services and goods that are required by the business and sourced by our Supply Chain team including:

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

Our Policies on Slavery and Human Trafficking

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Supplier Code of Conduct reflects our commitment to acting ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains.

Due Diligence Processes for Slavery and Human Trafficking

As part of our initiative to identify and mitigate risk we:

- Aim to identify and assess potential risk areas in our own business and our supply chains;
- Mitigate the risk of slavery and human trafficking occurring in our own business and our supply chains;
- Monitor potential risk areas in our own business and our supply chains;
- Where possible build long standing relationships with suppliers and make clear our expectations of their business behaviour;
- Require our suppliers to comply with the Modern Slavery Act 2015 and have their own suitable anti-slavery and human trafficking policies and processes; and
- Encourage the reporting of concerns and support the protection of whistle blowers.

Supplier Adherence to our Values

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

The Transformation Director is currently responsible for compliance with the Modern Slavery Act 2015 and for the supplier relationships.

Training

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

Our Effectiveness in combating Slavery and Human Trafficking

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

- Use of robust supplier selection process including supplier questionnaires and compliance with Arqiva's Supplier Code of Conduct;
- Supplier RAG status risk rating to be developed and used for all existing and new suppliers. High risk existing suppliers would be questioned as to their compliance and online due diligence carried out; and
- Use of our payroll systems.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited and Arqiva Services Limited's (subsidiary undertakings of the Group) slavery and human trafficking statement for the financial year ending 30 June 2017.

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

Governance

Board of Directors and Senior Executive Management

Ownership

The Company is owned by a consortium of shareholders comprising Canada Pension Plan Investment Board (48%), Macquarie European Infrastructure Fund II (25%) plus other Macquarie managed funds (1.5%), Health Super Investments Pty Limited (5.5%), IFM Investors (14.8%) and the Motor Trades Association of Australia (5.2%). There is no ultimate controlling party of the Company, as defined by IAS 24 'Related parties'.

There are two investor companies which are related parties with the Group, in accordance with IAS 24, by virtue of significant shareholding in the Group:

- Frequency Infrastructure Communications Assets Limited ('FICAL') (48%), a company controlled by the Canada Pension Plan Investment Board. The Canada Pension Plan Investment Board is a professional investment management organisation based in Toronto which invests the assets of the Canada Pension Plan. The Canada Pension Plan Investment Board was incorporated as a federal Crown corporation by an Act of Parliament in December 1997.
- Macquarie European Infrastructure Fund II ('MEIF II') (25%), an investment fund managed by the Macquarie Group. Macquarie European Infrastructure Fund II is a wholesale investment fund focusing on investments in high-quality infrastructure businesses across Europe. Macquarie Group Limited is listed in Australia (ASX:MQG ADR:MQBKY).

Arqiva Board of Directors

The Group's Board of Directors is comprised of the following officers who were in office during the year and up to the date of the signing of the annual report and financial statements:

Mike Parton, Chairman

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

Paul Dollman, Independent Non-Executive and Audit Committee Chairman

Paul is a Chartered Accountant and was Group Finance Director of John Menzies plc for over ten years until May 2013. Prior to that he was Group Finance Director of William Grant and Sons Ltd and previously held several senior finance positions. He is a Non-executive Director of Scottish Amicable Life Association Society and is Audit Committee Chairman of Wilmington plc and Verastar. He is also a member of the Audit Committee of The National Library of Scotland.

Sally Davis, Independent Non-Executive Director

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

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

Arqiva Board of Directors (continued)

Liliana Solomon, Chief Financial Officer

Liliana joined Arqiva in May 2016 as Chief Financial Officer. She additionally carries accountability for procurement.

Liliana has over twenty years' experience from across the telecoms industry having previously held similar roles at Vodafone in Europe, Cable & Wireless in UK, Europe, Asia and US, and T Mobile (Deutsche Telekom) in the UK.

Simon Beresford-Wylie, Chief Executive Officer

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

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

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

Appointed by Frequency Infrastructure Communications Assets Limited:

Paul Mullins, Director (resigned 31 August 2017)

Paul headed Canada Pension Plan Investment Board's Portfolio Value Creation group which oversees and supports assets in the Infrastructure, Natural Resources and Private Equity spaces. Paul is a member of the investment committee for Private Investments. Prior to this he was at Permira Advisors LLP and a Partner and Managing Director at the Boston Consulting Group.

Neil King, Director

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

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

Peter Adams, Director (alternate)

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

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

Board of Directors and Senior Executive Management

Appointed by Macquarie European Infrastructure Fund II:

Nathan Luckey, Director

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

Mark Braithwaite, Director

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

Appointed by IFM Investors:

Christian Seymour, Director

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

Deepu Chintamaneni, Director (alternate)

Deepu is responsible for the origination and execution of infrastructure transactions, and asset management of existing investments. Prior to IFM Investors, Deepu worked in the Infrastructure and Energy Finance group at Citigroup in New York where she advised and provided financing for transactions across various infrastructure sectors.

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

Damian Walsh, Director

Damian is a Partner in Heidrick & Struggles, a leading global executive search firm where he is a member of the global Industrial and CEO & Board practices. Damian has more than twenty years' international experience as a chartered accountant, management and leadership consultant. As the Director of Tax in the Ernst & Young Global Office, Damian was responsible for strategy formulation and execution to grow the business across key geographies, industries and service lines.

Board of Directors and Senior Executive Management

The below table summarises the Group's Board of Directors and of which committees of the group they are a member.

	Board of Directors	Audit Committee	Nomination Committee	Remuneration Committee	Operational Resilience Committee
Mike Parton	●	●	●	●	●
Paul Dollman	●	●			
Sally Davis	●			●	
Paul Mullins	●	●	●	●	●
Neil King	●				
Nathan Luckey	●				●
Mark Braithwaite	●	●	●	●	
Christian Seymour	●	●	●	●	●
Damian Walsh	●	●		●	●
Peter Adams	●				
Deepu Chintamaneni	●				

Board of Directors and Senior Executive Management

Senior Executive Management (also including the Chief Executive Officer and the Chief Financial Officer)

Nicolas Ott, Managing Director, Telecoms & M2M

- **Arqiva** telecoms head since January 2012
- **Everything Everywhere** Vice President of Strategy, Regulation and Planning
- Other previous positions at Orange UK, **Orange Group** and **Equant**

Steve Holebrook, Managing Director, Terrestrial Broadcast

- **Arqiva** since 1995, heading Terrestrial Broadcast previously including Satellite
- Other previous positions at **Mercury Communications, Kingston Satellite Services, British Aerospace and British Telecom International**

David Crawford, Managing Director, Satellite and Media

- **Arqiva** Satellite and Media head since March 2014
- Commercial leadership roles at **Cable & Wireless Communications** and **Capita**
- Other previous positions at **Energis, Jardine Matheson** and **Bain**

Matthew Brearley, Director of Human Resources

- **Arqiva** since February 2012
- **Vodafone UK** HR & Property Director
- **B&Q** Director of Retail HR
- Other previous positions at **Associated British Foods** and **Exxon Corporation**

Michael Giles, General Counsel

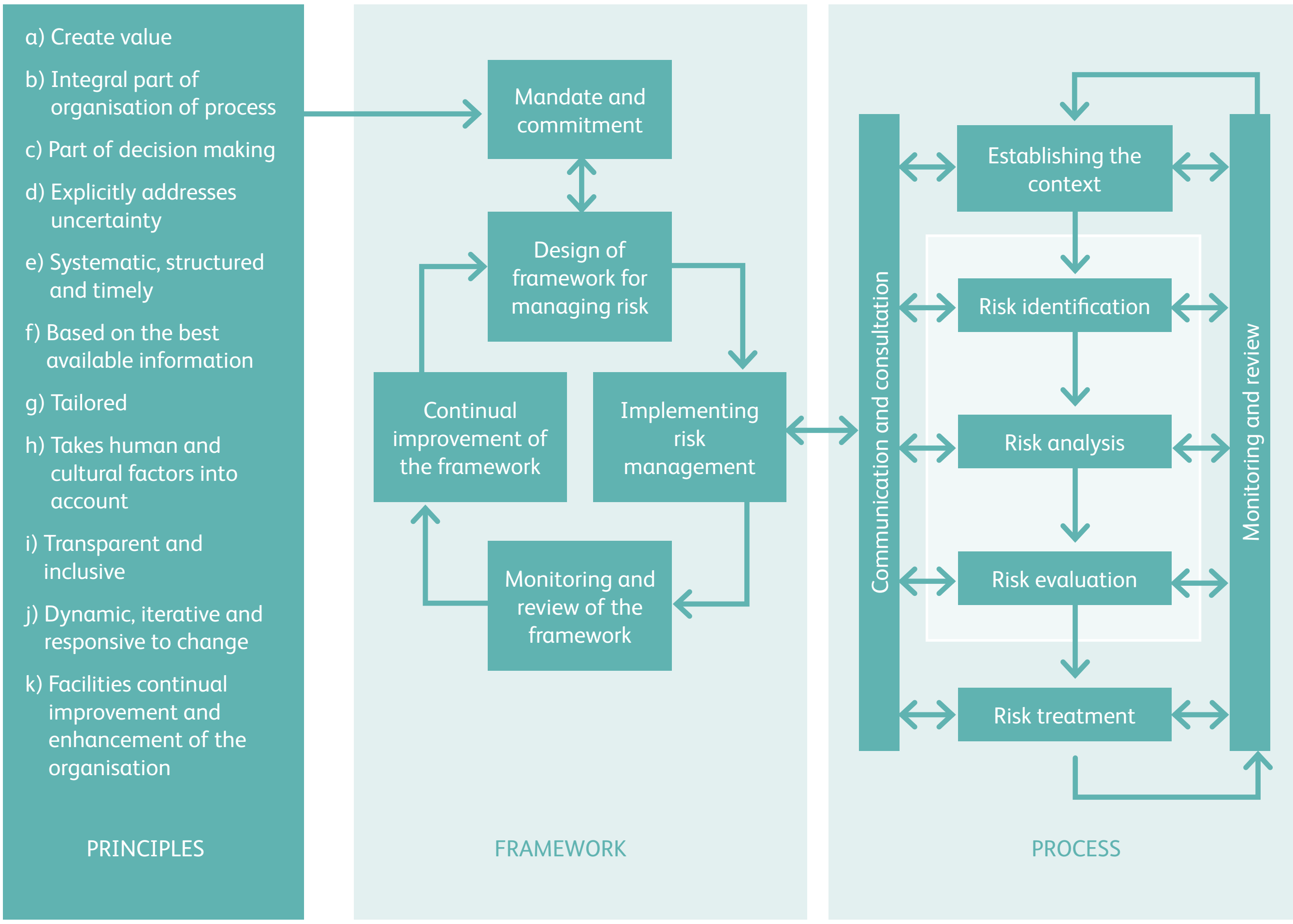
- Appointed **Arqiva Group Commercial Director in 2008**
- More than 20 years at **NTL Business** and **NTL Broadcast**

Principal risks and uncertainties

Arqiva's approach to risk management is as follows:

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

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



During the year Arqiva has introduced some additional measures to enhance the robustness of its risk management approach throughout the organisation. These measures include, most significantly, a corporate risk register refresh exercise and a more formalised approach for assessing and monitoring these risks.

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

Business Unit Management:

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

Senior Executive Management:

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

Audit and Risk function / Audit committee:

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

Principal risks and uncertainties

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

*Business units have been abbreviated as follows: Terrestrial Broadcast ('TB'), Telecoms & M2M ('T'), Satellite and Media ('SM')

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Reputational	All	Bad publicity damages Arqiva's reputation and its ability to do business as a result of: ▸ A major event or incident impacting our services; ▸ Untimely delivery on major projects; ▸ Repeated unexpected service outages; ▸ Security breach on networks; or ▸ Major network or equipment failure or obsolescence.	The Group carefully engages with its customers to ensure that project milestones are carefully managed and management regularly review the progress status of all projects. Through continuous measurement of operational KPIs and addressing shortfalls in performance through process excellence the risk around service reliability is carefully managed. The Group has in place a crisis management plan for public relations and external communications to provide support should there be any major events. This is regularly monitored and reviewed. The Group continues to invest in its infrastructure, typically spending in excess of £150m per annum.	Arqiva has continued to achieve its target result for 'network availability' (see page 28). Arqiva has continued to meet its contractual milestones on its major contractual programmes, e.g. smart energy metering (see page 28). The Group has achieved and maintained ISO27001 certification regarding information security and holds periodic reviews of the security environment and training to employees.
Health and safety	All	Risk of an incident causing death or serious injury during site works or engineering.	Training and rescue skills courses are required on an annual basis for field employees, and rescue kits are provided. Arqiva maintains and regularly reviews its policy on workplace safety and site security.	During the year, Arqiva maintained its compliance with OHSA518001 regarding safety management.
Technological	TB, SM	Developments in alternative broadcast technologies, such as internet connected TV, which competes against the Group's DTT transmission business; or the evolution of DAB against Arqiva's existing analogue radio transmission business.	DTT retains the largest share of broadcast transmission in the UK, and IPTV remains constrained by limited high speed broadband uptake and variable reliability levels. In addition Arqiva has mitigated some of this risk by investing in YouView TV Limited, a joint venture formed to develop and promote the DTT platform, together with its involvement in Freeview Play. Arqiva has been rolling out national and commercial local DAB in line with its 'New Radio Agreement' with the BBC and government targets which helps to ensure it remains at the forefront of this future technological change.	In March, Freeview announced sales of FreeviewPlay TVs had surpassed the 1 million mark highlighting the sustained demand for this platform. Arqiva is expecting to finalise the roll out of its DAB network towards the end of the calendar year, and consequently remains in a strong position to support a future switch over.

Risk type	Business Units*	Description of risk / uncertainty	Management of risk / uncertainty	Recent developments
Political	T, TB	Change in government plans, policy or priorities could lead to unforeseen changes in scope on major engineering programmes. The triggering of Article 50 to begin the UK's exit from the European Union heightens the uncertainty over future policy and economic conditions.	Arqiva maintains regular dialogue with its stakeholders to ensure the delivery of its programmes are efficient , timely and to specification. Where specification changes occur Arqiva provides a detailed assessment of the potential costs of the scope change and seeks an informed recovery of those costs through mechanisms in its contracts. Arqiva's assets and operations remain predominantly in the UK and therefore its business has minimal exposure to the changing relationships with international markets. Additionally we expect the infrastructure Arqiva provides to continue to be demanded and that these services evolve as markets and consumer tastes evolve.	Arqiva has successfully agreed scope change requests on its smart energy metering programme with its customer demonstrating the customer's continued focus on network roll out.
	SM	Potential future alternative use for the 3600-3800 MHz band (presently used for Satellite C Band Rx) to support LTE/5G.	Arqiva continue to work with the regulators to understand the nature and timing of any decision on this spectrum and will seek assurance that any relocation of existing services are viable.	
Operational	All	Information, networks and systems, or communications infrastructure may be subjected to cyber security threats leading to a loss or corruption of data and/or impacting the operational capacity of Arqiva. Critical transmission structures or IT infrastructure supporting key operational processes could fail leading to operational outages.	The Group maintains an ISO27001 certification regarding information security, which includes Cloud Security Services. Employee training on information security is mandatory and quarterly reviews are undertaken by external consultants to examine the robustness of the security environment. Arqiva ensures data is regularly backed up and Business Continuity Plans have been established for each key site and each business area. A Business Recovery Working Group meets regularly to stress test these plans and continually review the Group's approach to disaster recovery.	Arqiva has continued to pass its quarterly security reviews and has consequently retained its ISO certification.
	TB, T	The scale and complexity of Arqiva's major programmes bear an inherent risk of unforeseen delays through the supply chain and therefore challenges to delivery.	Arqiva maintains a robust oversight of the delivery of its major programmes. This includes identifying the key personnel and resources required for delivery and working closely with its suppliers and customer to ensure that these requirements are sufficiently available.	Arqiva has continued to meet its contractual milestones on its major contractual programmes, e.g. smart energy metering (see page 28).
	All	Customer relationships, operations and project delivery could be damaged if there were significant loss of people with critical skills and knowledge unique to Arqiva's competitive position.	Arqiva recognises the importance of its people and seeks to make Arqiva a rewarding and enjoyable place to work. The Group operates a competitive annual bonus plan for all employees and a long-term incentive plan for its leadership team. Additionally the Group operates formal retention and succession planning in knowledge-critical areas of the business.	Arqiva has developed a new career framework to provide a more formalised approach to the development and growth of the careers of its people.
Demand	T	The level of demand for wireless communications and impact on demand for access to the Group's towers.	The Group monitors the demand for mobile data which continues to grow and indications are that spectrum capacity, and antenna deployments, will need to increase to cope with this demand. Arqiva continues to develop its outdoor small cells proposition and in-building solutions in anticipation of growth in demand.	Arqiva is continuing to support the MNOs in the roll-out of 4G upgrades to its sites reflecting the surge in demand for mobile data. In March 2017 the UK Government released its "A 5G Strategy for the UK" to position the UK as a global leader in the next generation of mobile technologies. This followed Arqiva's announcement in February of a partnership deal with Samsung to run the first UK 5G field trials.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 53.		

Directors' report

The Directors of Arqiva Group Limited ('AGL'), registered company number 05254001, ("the Company") and its subsidiaries ("the Group") submit the annual report and audited consolidated financial statements ("financial statements") in respect of the year ended 30 June 2017.

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

The Directors' report for the Company is set out on page 127.

Financial risk management

The principal risks and uncertainties of the Group have been outlined previously in this section of the report (see page 49).

As a result of these, as well as the on-going business activities and strategy of the Group, Arqiva is exposed to a variety of financial risks that include financing risk, purchase price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

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

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Interest rate risk	Exposure to interest rate risk due to borrowing variable rate bank debt.	The Group uses derivative contracts to hedge its exposure to rising interest rates. The Group maintains a hedging policy to manage interest rate risk and to ensure the certainty of future interest cash flows and compliance with debt covenants. It currently has fixed rate hedging, split between interest rate swaps and inflation-linked interest rate swaps. Interest rate swaps convert variable rate interest costs to fixed rate interest costs while inflation swaps convert fixed rate interest costs to RPI-linked costs, which fluctuate in line with the RPI index as do a significant proportion of the Group's revenue contracts.
Financing risk	The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms. Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings reflect our strong ability to service and repay debt from our cash flows over a reasonable period of time, maintaining debt with a variety of medium and long term maturities so that over time we do not have a significant concentration of debt due for refinancing in any given year, and aiming to refinance debt well in advance of the maturity date. With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Group is exposed to credit risk on customer receivables.	This is managed through appropriate credit checking procedures prior to taking on new customers; and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained reducing the level of queried payments and mitigating the risk of uncollectible debts.
	The Group is exposed to counterparty risks in its financing operations.	The Group carefully manages the credit risk on liquid funds and derivative financial instruments with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit ratings agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Group has sufficient available funds for working capital requirements and planned growth.	The Group maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2017 the Group had £18.0m cash (and £28.5m in reserve to cover one semi-annual interest payment on the junior bonds) and £304.0m available undrawn facilities to meet planned growth and working capital requirements. In addition, the Group has £250.0m of liquidity facilities available to cover senior interest payments if required and a £30.0m facility to support 'Comms Hub Receivables Purchasing'. The Board consider the availability and adequacy of working capital funding requirements in conjunction with forming its long-term financial plan for the business.
Purchase price risk	Energy is a major component of the Group's cost base and is subject to price volatility.	A large proportion of this is managed via pass-through arrangements to customers. The Group's residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements. Key revenue and cost milestones are set on larger projects to ensure the financial risks of volatile market pricing are mitigated.
Foreign exchange risk	The Group operates from UK sites and predominantly in the UK market. While some customer and supplier contracts are denominated in other currencies (mainly US Dollars and Euros), the majority of the Group's revenues and costs are sterling based, and accordingly exposure to foreign exchange is limited.	Management regularly monitor the impact of foreign exchange risks and assess the need to put any mitigating financial instruments in place. During the year cross currency swaps were in place to fix the exchange rate in relation to US Dollar denominated private placement notes. Details of the cross currency swaps are provided in note 25.

Directors' report

Internal control over financial reporting

The Board of Directors review the effectiveness of the Group's systems of internal control, including risk management systems and financial and operational controls (see page 49).

Audit Committee

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

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

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

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

Internal audit

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

External audit

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

PricewaterhouseCoopers LLP were re-appointed as external auditors in 2016 following a competitive tender process.

In the current year the auditor has provided certain non-audit services, principally in relation to transaction support services and non audit assurance services. The Audit Committee ensures that appropriate safeguards of audit independence are established and applied.

Remuneration Committee

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

Nomination Committee

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

Operational Resilience Committee

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

Equal opportunities policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, should, as far as possible, be identical to that of a person who does not suffer from a disability. Further information on how Arqiva supports its employees can be found on page 36.

Directors report

Political donations

No political donations were made during the year (2016: none).

Research and development

The Group performs research and development into new products and technology, the costs of which are capitalised in accordance with the Group's accounting policy where they meet the criteria for capitalisation. The research costs expensed in the year were £2.9m (2016: £1.8m). In addition, the Group carries out research and development as part of its contract bid processes and these costs are expensed as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £2.7m (2016: £3.8m).

Development costs incurred as part of capital expenditure projects, which support customer contracts, are included with the total project spend within property, plant and equipment. The Group's capital expenditure in the year was £166.7m (2016: £166.7m) and includes capitalised labour of £56.7m (2016: £57.4m). Other development costs would be capitalised within intangible assets. In the year, development costs capitalised total £2.2m (2016: £6.1m), with amortisation of £2.1m (2016: £2.9m) charged against such capitalised development costs.

Overseas branches

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

Events after the reporting date

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

Dividends and transfers to reserves

The Company has declared no dividends in the year (2016: none). Group companies which include a non-controlling interest, Now Digital (East Midlands) Limited and South West Digital Radio Limited, declared dividends in the prior year of £0.3m and £0.1m respectively (none declared in the current year). The consolidated loss for the year of £427.1m (2016: £249.5m) was transferred to reserves.

Going Concern

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

The directors have considered the Group's profit and cash flow forecasts alongside the Group's current funding requirements 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 consolidated financial statements.

Future developments

The Group plans to continue to invest in its business units in accordance with its strategy. Further detail is contained within the Strategic report on page 15.

Ownership and Directors

A description of the ownership of the Group and the Board of Directors holding office during the year and up to the date of signing of the financial statements can be found on page 43.

At 30 June 2017, Mike Parton was the Group's independent Chairman. Michael Giles is the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 43.

Details of the statutory directors of the Company are shown on page 43.

Directors Indemnities

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

Disclosure of information to the Independent Auditors

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

- So far as the Directors are aware there is no relevant audit information of which the Auditors are unaware; and
- Each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

On behalf of the Board

Paul Dollman
Director
11 September 2017

Statement of Directors' responsibilities

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

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

Financial Statements

Group financial statements

Company financial statements

Independent Auditors' report to the Members of Arqiva Group Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Arqiva Group Limited's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2017 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position and the Company statement of financial position as at 30 June 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended, the notes to the consolidated financial statements and the Company notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Materiality	Audit Scope	Key Audit Matters
• Overall Group Materiality £15.5 million (2016: £14.8 million) - Group financial statements. • Based on 5% of profit before interest, tax, other gains and losses and exceptional items. • Overall Company Materiality £35.3 million (2016: £14.8 million) - Company financial statements. • Based on 2% of total assets, capped in the prior year at Group Materiality.	• For the Group financial statements we performed an audit of the complete financial information of 10 reporting units. We also conducted audit procedures of specific line items for 1 reporting unit. • The audit work performed gave us coverage of 92% of revenue and 98% of profit before interest, tax, other gains and losses and exceptional items. • All entities have been audited by the Group team and hence no component auditor has been involved in the audit of consolidated financial statements.	• Revenue and profit recognition on complex contracts (Group). • Valuation of financial instruments (Group). • Accruals and provisions, including amounts relating to infrastructure and bonuses and decommissioning of sites (Group). • Classification of exceptional items (Group). • Impairment of intangible assets and goodwill (Group) and investments in subsidiaries (Company only).

The scope of our audit

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

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Revenue and profit recognition on complex contracts (Group) *Refer to page 75, page 82 and page 85 (note 3- significant accounting policies – revenue recognition, note 4- critical accounting judgements and key sources of estimation uncertainty – revenue recognition and note 5 – revenue and segmental information)* The Group has a number of complex customer contracts which are delivered in phases over a number of accounting periods. These contracts include smart metering contracts, contracts with telecommunications network operators for access to communications infrastructure and contracts for the clearance of spectrum. As a result the accounting for revenue and profit recognition is complex. There are multiple elements involved and a degree of management judgement in determining what is included in the total contract position to completion and the margin to be recognised.	We obtained schedules for each contract and for each deliverable showing the amount of revenue and gross margin for the year to 30 June 2017 and for all prior years for which the contract was in operation and all future years for which there are performance obligations under the contract. We compared the total amounts of revenue to the contract and determined that the separate contract elements were separately identified and performed testing over the amounts of revenue allocated to each element to ensure this was appropriate. We assessed the revenue profit margins for consistency with contract deliverable costs by considering the costs incurred to date and forecast for the relevant revenue stream. We also compared this to the consistency of past and future gross margins, obtaining explanations for variations where necessary. For each element we assessed the extent of performance of deliverables that had been achieved in the year, and the amount of revenue recognised, by, for example, reviewing the evidence of milestone achievement and amounts invoiced, discussion with project managers, and assessing management estimates used to determine the revenue recognised, verifying estimated costs to come with third party evidence where available or corroborating with other available information within the business if appropriate. Where contract variations arose we assessed the appropriateness and timing of the recognition of the related revenues by obtaining an understanding of the reason for the variations and the timing of their delivery and validated this to the signed contract variation addendums. Through our procedures performed we assessed whether the revenue recognised on the contracts was in line with the Group accounting policies and IAS 18. Our testing did not identify any material differences in relation to revenue and profit recognition on these complex contracts.

Valuation of financial instruments (Group)

Refer to page 78, page 84 and page 109 (note 3- significant accounting policies – financial instruments, note 4- critical accounting judgements and key sources of estimation uncertainty – fair value measurements and valuation processes and note 25 – derivative financial instruments)

The Group holds a number of derivative financial instruments comprising interest rate, cross currency and inflation linked swaps, in relation to the financing of the Group. These derivative financial instruments are significantly out of the money. The Group accounts for the valuations of those instruments using valuations provided by the counter party institutions with adjustments made by management for counter party credit risk.

This is considered a key audit matter due to the complexity of the valuations and the quantum of balances involved.

We engaged PwC valuations experts to assist with the audit of the counter parties' valuations of each interest rate swap, cross currency swap and inflation linked swap, and management's adjustments for counter party credit risk of those instruments. This recalculated the fair value using the internal PwC valuation model for every instrument which was then compared to the amount recognised in the financial statements.

There were no material differences arising between the Group fair values of derivative financial instruments recognised and our valuations.

Accruals and provisions (Group)

Refer to page 83 and page 115 (note 4- critical accounting judgements and key sources of estimation uncertainty – provisions and contingent liabilities and note 26 – provisions)

Arqiva's business results in recognising complex accruals and provisions including those related to infrastructure across the extensive asset portfolio, various bonus accruals and decommissioning provisions.

As there is an element of estimation involved, there is considered to be a risk that these balances may not be appropriately determined.

On a sample basis, we tested the accounting for accruals and provisions to supporting documentation and have challenged management where judgement has been applied, looking to corroborate the reasonableness of assumptions made with either historic performance or alternative evidence. This included:

- For rent, rates and power understanding the processes for identifying and aggregating accruals and testing on a sample basis for accuracy by testing to supporting documentation;
- For the decommissioning provision we obtained management's calculations and assumptions and confirmed that the methodology is appropriate. We then assessed the reasonableness of the assumptions in conjunction with the asset plan, decommissioning cost estimates and actual experience, and the appropriateness of the discount rate;
- For bonuses we tied the assumptions included to the current year outcome and, where also relevant, to the long term plan which has been approved by the board.

From our work performed, we have not identified any material differences or where the rationale for recognition of an accrual/provision was not considered appropriate.

Classification of exceptional items (Group) *Refer to page 90 (note 7 – exceptional items)* Costs of £50.1m have been classified as exceptional items in the current year financial statements. One of the Group's financial reporting KPIs is EBITDA prior to exceptional items. There is a risk that some non-exceptional costs could have been incorrectly classified as exceptional costs.	We assessed the disclosed accounting policy for compliance with accounting standards and for consistency of application. We scanned the listing of exceptional items for costs that appeared unusual to us in the context of the accounting policy and tested a sample of items to assess whether such items were appropriately classified. Our testing did not identify any material misstatements in the amounts or presentation of exceptional items.
Impairment of intangible assets, goodwill (Group) and investments in subsidiaries (Company only) *Refer to page 83 and page 95 (note 4- critical accounting judgements and key sources of estimation uncertainty – Impairment of goodwill and note 14 – goodwill)* IAS 36 'Impairment of assets' requires management to prepare annual impairment reviews in respect of all indefinite lived intangible assets, such as goodwill. The Group's intangible assets and goodwill are material, amounting to £2,029 million and the impairment reviews performed over these include a number of assumptions which are subject to management judgement.	We obtained an understanding of the allocation of goodwill to business units in management's impairment model and assessed its appropriateness. We tested the impairment model, assessing its mathematical accuracy, the reliability of inputs to the model and the reasonableness of the assumptions applied by management in assessing the valuation of intangibles and goodwill for each business unit. These included the assumptions on revenue and cost growth, capital expenditure and the discount rate used. We involved our PwC valuations experts to evaluate the discount rate used to calculate the present value of the cash flows and ensure this was calculated using an acceptable methodology and in line with what we would expect for the business units. Based on this testing, we considered whether the carrying value of these intangibles was adequately supported by the value-in-use impairment model prepared by management, and found there to be a significant level of headroom. For the Company's investment in subsidiaries we have compared the net assets of the subsidiary at 30 June 2017 with the carrying value of the investment. For any subsidiaries where net assets do not exceed the carrying value, for example the entities which hold the Group's debt, we have looked further down the Group hierarchy at the subsidiaries held by that entity and confirmed that, by taking into account the net assets of these, the carrying value of the investment held in the Company is supported. We also considered for both the Group and Company positions whether there are any further indicators which would cause there to be an impairment and found that to be unlikely.

How we tailored the audit scope

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

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

All of the audit work including the audit of the consolidation has been performed by the Group engagement team since the accounting is performed in Arqiva's Winchester location.

Materiality

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

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

	Group financial statements	*Company financial statements*
Overall materiality	£15.5 million (2016: £14.8 million).	£35.3 million (2016: £14.8 million).
How we determined it	5% of profit before interest, tax, other gains and losses and exceptional items.	2% of total assets, capped in the prior year at Group Materiality.
Rationale for benchmark applied	Based on our professional judgement, profit before interest and tax is an appropriate measure to assess the performance of the Group, and is a generally accepted auditing benchmark.	Based on our professional judgement, total assets is an appropriate measure to assess the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.7 million and £14 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (Group audit) (2016: £0.5 million) and £0.5 million (Company audit) (2016: £0.5 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 57, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
11 September 2017

Consolidated income statement

	Notes	Year ended 30 June 2017 Pre-exceptional items £m	Exceptional items £m	Total £m	Year ended 30 June 2016 Pre-exceptional items £m	Exceptional items £m	Total £m
Revenue	5	943.8	-	943.8	884.7	-	884.7
Cost of sales		(356.9)	-	(356.9)	(343.8)	-	(343.8)
Gross profit		**586.9**	-	**586.9**	**540.9**	-	**540.9**
Depreciation	16	*(141.6)*	-	*(141.6)*	*(129.4)*	-	*(129.4)*
Amortisation	15	*(12.6)*	-	*(12.6)*	*(10.4)*	-	*(10.4)*
Other operating expenses[1]	7	*(120.1)*	*(29.5)*	*(149.6)*	*(116.7)*	*(13.6)*	*(130.3)*
Total operating expenses		(274.3)	(29.5)	(303.8)	(256.5)	(13.6)	(270.1)
Other income		1.1	-	1.1	0.2	-	0.2
Share of results of associates and joint ventures	17	0.3	-	0.3	0.1	-	0.1
Operating profit	6,7	**314.0**	(29.5)	**284.5**	**284.7**	(13.6)	**271.1**
Finance income	9	3.7	-	3.7	1.3	-	1.3
Finance costs	10	(582.1)	-	(582.1)	(536.3)	-	(536.3)
Other gains and losses[1]	7,11	(112.5)	(20.6)	(133.1)	(0.1)	14.4	14.3
Loss before tax		**(376.9)**	(50.1)	**(427.0)**	**(250.4)**	0.8	**(249.6)**
Tax	12			(0.1)			0.1
Loss for the year				**(427.1)**			**(249.5)**
Attributable to:							
Owners of the Company				(427.3)			(249.6)
Non-controlling interests				0.2			0.1
				(427.1)			**(249.5)**

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

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

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Consolidated statement of comprehensive income

	Note	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Loss for the year		**(427.1)**	**(249.5)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit pension schemes	30	(0.5)	(6.8)
		(0.5)	**(6.8)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(0.4)	(1.9)
		(0.9)	**(8.7)**
Total comprehensive loss		**(428.0)**	**(258.2)**
Attributable to:			
Owners of the Company		(428.2)	(258.3)
Non-controlling interests		0.2	0.1
		(428.0)	**(258.2)**

Consolidated statement of financial position

	Note	30 June 2017 £m	30 June 2016 £m
Non-current assets			
Goodwill	14	1,980.0	1,986.8
Other intangible assets	15	48.9	44.1
Property, plant and equipment	16	1,770.2	1,768.8
Retirement benefits	30	7.1	7.4
Interest in associates and joint ventures	17	5.1	4.8
		3,811.3	**3,811.9**
Current assets			
Trade and other receivables	18	324.7	297.2
Cash and cash equivalents	21	46.5	69.5
		371.2	**366.7**
Total assets		**4,182.5**	**4,178.6**
Current liabilities			
Trade and other payables	22	(420.0)	(373.1)
Borrowings	23	(592.2)	(1,041.9)
Provisions	26	(18.8)	(8.0)
		(1,031.0)	**(1,423.0)**
Net current liabilities		**(659.8)**	**(1,056.3)**
Non-current liabilities			
Other payables (including deferred revenue)	22	(186.4)	(172.1)
Borrowings	23	(5,122.1)	(4,350.3)
Derivative financial instruments	25	(1,179.7)	(1,146.3)
Provisions	26	(57.0)	(52.6)
		(6,545.2)	**(5,721.3)**
Total liabilities		**(7,576.2)**	**(7,144.3)**
Net liabilities		**(3,393.7)**	**(2,965.7)**
Equity			
Share capital		653.9	653.9
Share premium		315.6	315.6
Accumulated losses		(4,360.5)	(3,932.7)
Translation reserve		(3.3)	(2.9)
Total equity attributable to owners of the Parent		(3,394.3)	(2,966.1)
Non-controlling interest		0.6	0.4
Total equity		**(3,393.7)**	**(2,965.7)**

These financial statements on pages 68 to 126 were approved by the Board of Directors and authorised for issue on 11 September 2017. They were signed on its behalf by:

Paul Dollman – Director

Consolidated statement of changes in equity

	Note	Share capital* £m	Share premium £m	Accumulated losses £m	Translation reserve £m	Total Equity attributable to owners of the Parent £m	Non-controlling interest £m	Total equity £m
Balance at 1 July 2015		**653.9**	**315.6**	**(3,676.3)**	**(1.0)**	**(2,707.8)**	**0.4**	**(2,707.4)**
Loss for the year		-	-	(249.6)	-	(249.6)	0.1	(249.5)
Other comprehensive losses		-	-	(6.8)	(1.9)	(8.7)	-	(8.7)
Total comprehensive loss		-	-	(256.4)	(1.9)	(258.3)	0.1	(258.2)
Dividends paid	13	-	-	-	-	-	(0.1)	(0.1)
Balance at 30 June 2016		**653.9**	**315.6**	**(3,932.7)**	**(2.9)**	**(2,966.1)**	**0.4**	**(2,965.7)**
Loss for the year		-	-	(427.3)	-	(427.3)	0.2	(427.1)
Other comprehensive losses		-	-	(0.5)	(0.4)	(0.9)	-	(0.9)
Total comprehensive loss		-	-	(427.8)	(0.4)	(428.2)	0.2	(428.0)
Balance at 30 June 2017		**653.9**	**315.6**	**(4,360.5)**	**(3.3)**	**(3,394.3)**	**0.6**	**(3,393.7)**

*Comprises 653,928,000 (2016: 653,928,000) authorised, issued and fully paid ordinary shares of £1 each.

Consolidated cash flow statement

	Note	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Net cash inflow from operating activities	27	**470.6**	**374.5**
Investing activities			
Interest received		0.7	0.5
Purchase of tangible assets	5	(151.0)	(169.4)
Purchase of intangible assets	5	(10.3)	(0.6)
Interest element of finance lease rentals		(1.0)	(1.0)
Sale of tangible assets		-	5.7
Sale of subsidiary undertakings		23.2	16.4
		(138.4)	**(148.4)**
Financing activities			
Raising of external borrowings	23	554.8	5.2
Repayment of external borrowings	23	(573.5)	-
Repayment of finance lease capital	23	(0.4)	(0.4)
Movement in borrowings		(19.1)	4.8
Interest paid		(237.4)	(233.9)
Cash settlement of principal accretion on inflation-linked swaps	25	(53.4)	(26.0)
Debt issue costs and facility arrangement fees		(12.5)	-
Cash outflow on close out of swap arrangements		(36.0)	-
Proceeds on disposal of swap options		3.2	-
		(355.2)	**(255.1)**
Decrease in cash and cash equivalents	21	**(23.0)**	**(29.0)**

Notes to the Group financial statements

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

Arqiva Group Limited ('AGL') ('the Company') is a private company limited by shares and incorporated in England, in the United Kingdom ('UK') under the Companies Act 2006 under registration number 05254001. The address of the registered office is Crawley Court, Winchester, Hampshire, England SO21 2QA.

These consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2017 comprise the Company and its subsidiaries (together the "Group").

The nature of the Group's operations and its principal activities are set out in the strategic report on pages 8 to 40.

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

The Company has elected to prepare its financial statements in accordance with FRS 101 Reduced Disclosure Framework. These are presented on pages 127 to 138.

2 Adoption of new and revised Standards

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

Amendments to IAS 1	Disclosure initiatives
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 27	Equity method in separate financial statements
Annual improvements 2012-2014 cycle	Clarify guidance and wording for IFRS 5, IFRS 7, IAS 19 and IAS 34
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been endorsed by the EU):

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017	30 June 2018
Annual improvements 2014-2016 cycle	Includes amendments to IFRS 12	1 January 2017	30 June 2018
IFRS 9	Financial instruments (2014)	1 January 2018	30 June 2019
IFRS 15	Revenue from contracts with customers	1 January 2018	30 June 2019
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018	30 June 2019
IFRS 16 (not yet EU endorsed)	Leases	1 January 2019	30 June 2020
IAS 7 (not yet EU endorsed)	Disclosure initiatives	1 January 2017	30 June 2018

Management have performed an impact assessment on the adoption of IFRS 15 and do not expect it to have a material impact on the financial statements. With the exception of IFRS 16, the directors do not expect that the adoption of the other Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 16 Leases, which is not yet endorsed for use in the EU, is expected to have a material impact on the financial statements of the Group in future periods. This is primarily through the recognition of the Group's operating leases on the balance sheet and reclassification of costs in the income statement leading to an increase in EBITDA, however it is not practicable to provide a reasonable estimate of the effect of this standard until a more detailed review has been completed. Further details of the Group's operating lease commitments are shown in note 28.

3 Significant accounting policies

Basis of preparation

The financial framework which now applies to entities preparing financial statements in accordance with legislation, regulation or accounting standards applicable in the UK and the Republic of Ireland is FRS 100, Application of Financial Reporting Requirements, which was issued in November 2012. These standards are mandatory for statutory financial statements for accounting periods beginning on or after 1 January 2015. Pursuant to the introduction of these new standards, the Group adopted EU-endorsed IFRS, which is an acceptable basis of reporting under FRS 100, and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies applying IFRS and in accordance with IFRS Interpretations Committee interpretations.

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

The Company's financial statements have been prepared under FRS 101 and are included in this report – see page 127.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries, together the Group) made up to 30 June 2017.

Control is achieved when the Company:

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

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

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

Intra-group profits have been eliminated. Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Where the Group has an investment that has joint control, this is treated as a joint venture. Associates and joint ventures are accounted for using the equity method of accounting in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

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

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

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

Where a contractual arrangement consists of two or more elements that are separable and have value to a customer on a standalone basis, revenue is recognised for each element as if it were an individual contract. The total contract consideration is allocated between the separate elements on the basis of relative fair value and the appropriate revenue recognition criteria are applied to each element. Likewise where elements of a contract, or multiple contracts, are so intrinsically linked that it is necessary to consider the elements on a bundled basis revenue is recognised in respect of the bundled contractual obligations taken as a whole.

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

Rendering of services

Revenue from the rendering of services is recognised in line with the service provision over the contractual period. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and the associated costs can be measured reliably. Such revenues include television and radio transmission services, tower site rental to mobile network operators, installation services, in-building and small cells, network provision, media services, and machine-to-machine connectivity.

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

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

Costs related to delivering services under long-term contractual arrangements are expensed as incurred.

Delivery of engineering projects

Arqiva provides support to its customers by undertaking various engineering projects.

Revenue from such projects, which are long-term (greater than 12 months) contractual arrangements, are recognised based on the percentage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses.

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

Sale of communications equipment

Revenue from the sale of communications equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer, which is typically upon delivery and acceptance by the customer.

Business combinations, including goodwill

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

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

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

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

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

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

Impairment of non-financial assets

At each reporting period date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

Financial instruments

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

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

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

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

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

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Retirement benefits
Defined contribution schemes
For defined contribution schemes, the amount charged to the

income statement in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable for the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

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

The Plan closed to future accrual of benefits on 31 January 2016. Prior to closing the scheme to future accrual, the Group presented current and past service costs within cost of sales and administrative expenses (see note 30) in its consolidated income statement. Curtailments gains and losses are accounted for as a past-service cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exchange differences on translation of overseas branches are recognised through the statement of comprehensive income.

4 Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Revenue recognition (critical accounting judgement and key source of estimation uncertainty)
In applying the Group's revenue recognition policy, as set out in note 3, judgements are made in respect of certain areas including:

- determination of distinct contract components and performance obligations;
- measurement of variable consideration;
- determination of fair value of non-cash consideration; and
- the recognition of a significant financing component.

Such judgments are consistently applied across similar contracts and key estimates are regularly monitored throughout the relevant contractual periods with reference to the stage of completion and any applicable customer milestone acceptance. This is particularly relevant to the approach for significant engineering projects which typically contain a programme build phase and a long-term operational phase.

Deferred tax (critical accounting judgement)
The largest element of deferred tax that requires judgement relates to tax losses carried forward (see note 20). Applicable accounting standards permit the recognition of deferred tax assets only to the extent that future taxable profits will be generated to utilise the tax losses carried forward. The assessment of future taxable profits involves significant estimation uncertainty, principally relating to an assessment of management's projections of future taxable income based on business plans and on-going tax planning strategies in relation to substantively enacted tax legislation.

Useful lives for property, plant and equipment and intangibles (key source of estimation uncertainty)
The assessment of the useful economic lives of these assets requires estimation. Depreciation or amortisation is charged to the income statement based upon the useful lives selected. This assessment requires estimation of the period over which the Group will derive benefit from these assets.

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

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

Provisions and contingent liabilities (critical accounting judgement and key source of estimation uncertainty)
As disclosed in note 26, the Group's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations.

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

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

Impairment of goodwill (critical accounting judgement and key source of estimation uncertainty)
The carrying amount of the Group's goodwill is reviewed at each statement of financial position date to determine whether there is any indication of impairment, in compliance with the Group's accounting policies. Deciding the recoverable amount of a line of business to which goodwill is attributed involves management estimates. The recoverable amount is the higher of the fair value less costs to sell, and the value in use.

The Group determines these values using methods based on discounted cash flows. These discounted cash flows are founded on five-year projections built on financial plans approved by the Board. The cash flow projections take account of past experience, and are based on management's best estimates of future developments based on contracted growth and necessary expenditure to maintain the assets required to generate that expected revenue. Cash flows beyond the planning period are extrapolated using an expected terminal growth rate.
The key assumptions underlying the changes in value in use involve estimates of the discount rate (with reference to weighted average costs of capital), projected cash flows and terminal growth rate.

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

Actuarial assumptions used to determine the carrying amount of the Group's defined benefit plan liabilities (key source of estimation uncertainty)
The Group's defined benefit plan liabilities are discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are

excluded. The Group selects these assumptions in consultation with an external qualified actuary. Additionally, the present value of the scheme liabilities depend on such factors as the life expectancy of the members, the salary progression of our current employees and price inflation.

Estimates are used for all of these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and our judgement regarding future expectations. The value of the net pension surplus at 30 June 2017, the key financial assumptions used for measurement, the sensitivity of the IAS 19 (Revised 2011) pension surplus at 30 June 2017 and of the income statement charge in the year then ended to changes in these assumptions are disclosed in note 30.

Fair value measurements and valuation processes (key source of estimation uncertainty)

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group uses estimation techniques in accordance with the requirements of IFRS 13. This includes the assessment of the fair value adjustments with respect to credit risk (specifically debit valuation adjustments to the fair value of the derivative liabilities) for which the Group incorporates market-observable data into its valuation techniques.

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

5 Revenue and segmental information

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

The following revenue was generated by the Group:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Rendering of services	849.1	815.5
Engineering projects	83.0	56.5
Sale of goods	11.7	12.7
Revenue	**943.8**	**884.7**

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

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

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

Information regarding the nature of these business units is contained on pages 13 to 15 within the Strategic report.

Year ended 30 June 2017	Terrestrial Broadcast £m	Telecoms & M2M £m	Satellite and Media £m	Other £m	Consolidated £m
Revenue	**449.0**	**347.9**	**146.9**	-	**943.8**
Segment result* (EBITDA)	**329.4**	**154.1**	**35.0**	**(51.5)**	**467.0**
Depreciation and amortisation					(154.2)
Other operating expenditure excluded from measuring EBITDA					(0.2)
Exceptional items					(29.5)
Share of results of joint ventures and associates					0.3
Other income					1.1
Operating profit					**284.5**
Finance income					3.7
Finance costs					(582.1)
Other gains and losses					(133.1)
Loss before tax					**(427.0)**

Year ended 30 June 2016	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other	Consolidated
	£m	£m	£m	£m	£m
Revenue	**422.4**	**316.3**	**146.0**	-	**884.7**
Segment result* (EBITDA)	**308.0**	**132.8**	**32.1**	**(48.5)**	**424.4**
Depreciation and amortisation					(139.8)
Other operating expenditure excluded from measuring EBITDA					(0.2)
Exceptional items					(13.6)
Share of results of joint ventures and associates					0.1
Other income					0.2
Operating profit					**271.1**
Finance income					1.3
Finance costs					(536.3)
Other gains and losses					14.3
Loss before tax					**(249.6)**

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

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

		Year ended 30 June 2017	Year ended 30 June 2016
		£m	**£m**
Operating profit		284.5	271.1
Depreciation	16	141.6	129.4
Amortisation	15	12.6	10.4
Exceptional items charged to operating profit	7	29.5	13.6
Other income		(1.1)	(0.2)
Share of results of joint ventures and associates	17	(0.3)	(0.1)
Other[2]		0.2	0.2
EBITDA		**467.0**	**424.4**

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

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

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

Segmental result represents the profit earned by each segment without allocation of the reconciling items above or central administration costs including investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

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

	Terrestrial Broadcast	Telecoms & M2M	Satellite and Media	Other*	Consolidated
	£m	£m	£m	£m	£m
Capital expenditure:					
For the year ended 30 June 2017	44.6	79.4	11.7	25.6	**161.3**
For the year ended 30 June 2016	49.7	75.5	14.2	30.6	**170.0**

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

Note: the above is presented on a cash basis and therefore cannot be agreed directly to the capital additions presented in notes 15 and 16. The total balance comprises property, plant and equipment of £151.0m (2016: £168.4m) and intangible assets of £10.3m (2016: £0.6m) as referred to in the cash flow statement.

Geographical information

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

The following revenue was generated from external customers:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
UK	931.0	868.6
Rest of European Economic Area (EEA)	8.4	8.8
Rest of World	4.4	7.3
Revenue	**943.8**	**884.7**

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

	30 June 2017 £m	30 June 2016 £m
UK	3,800.7	3,800.2
Rest of European Economic Area (EEA)	2.7	2.8
Rest of World	0.8	1.5
	3,804.2	**3,804.5**

Information about major customers

Included in the revenues arising from Terrestrial Broadcast are revenues of £133.9m (2016: £137.0m) which arose from sales to a major customer. Additionally, Telecoms & M2M revenues include £150.6m (2016: £130.2m) from a major customer.

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

6 Operating profit

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Net foreign exchange losses / (gains)	0.3	(1.4)
Research and development costs	2.9	1.8
Depreciation of property, plant and equipment:		
Owned assets	141.2	129.0
Assets held under finance lease	0.4	0.4
Loss / (profit) on disposal of property, plant and equipment	0.2	(0.3)
Amortisation of intangible assets	12.6	10.4
Grant income	(2.7)	(0.7)
Operating lease rentals	59.9	53.1
Employee costs (see note 8)	93.2	99.5

Services provided by the Group's Auditors and network firms

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

	Group Year ended 30 June 2017 £m	Group Year ended 30 June 2016 £m
Fees payable to Company Auditors for the audit of parent company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.3	0.3
Non-audit services		
Other assurance services	0.6	0.4
Services relating to taxation	-	0.1
Total cost of services provided by the Group's Auditors	**1.0**	**0.9**

7 Exceptional items

The Group recognises exceptional items in accordance with IAS 1 'Presentation of Financial Statements' where material items, derived from events or transactions within the ordinary activities of the Group, require disclosure by virtue of their size or incidence for the financial statements to give a true and fair view. Further information is disclosed in note 3.

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

	Note	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Operating expenses:			
Reorganisation and severance		(24.0)	(13.3)
Corporate finance activities		(5.5)	(0.6)
Profit on disposal of property, plant and equipment		-	0.3
		(29.5)	(13.6)
Other gains and losses:			
(Loss) / profit on disposal of subsidiary	29	(5.2)	14.4
Close out of swap arrangements	11	(15.4)	-
Total exceptional items		**(50.1)**	**0.8**

Reorganisation and severance expenses include costs relating to delivery of the Group's FutureFit programme. This is a transformation programme that will help Arqiva streamline processes, modernise IT systems and achieve significant cost efficiencies and savings. This includes one-off compensation payments to align employee Terms and Conditions.

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

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

In November 2016 the Group refinanced its £353.5m term loan with new debt issues that extend the final maturity date to December 2029. Accordingly certain swap arrangements relating to the former term loan were closed out and new swap arrangements were entered into to match the maturity profiles of the new debt. The Group also disposed of the remainder of its swap options (total notional principal of £353.2m). As a result, certain charges crystallised in respect of the de-recognition of these instruments at their fair value. See note 25 for further information.

The expense amounts included within exceptional items above are deductible for the purpose of taxation. The loss on disposal of subsidiary (see note 29 for further information) is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees

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

	Year ended 30 June 2017 Number	Year ended 30 June 2016 Number
UK	2,060	2,112
Non-UK	40	58
Total employees	**2,100**	**2,170**

	Year ended 30 June 2017 Number	Year ended 30 June 2016 Number
Terrestrial Broadcast	674	653
Telecoms & M2M	535	609
Satellite and Media	364	389
Corporate functions	527	519
Total employees	**2,100**	**2,170**

Their aggregate remuneration comprised:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Wages and salaries	125.9	130.8
Social security costs	13.3	15.1
Other pension costs	10.7	11.0
Total staff costs	149.9	156.9
Own work capitalised	(56.7)	(57.4)
Income statement expense	**93.2**	**99.5**

9 Finance income

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Bank deposits	0.4	0.5
Finance lease interest receivable	0.2	0.2
Other loans and receivables	3.1	0.6
Total finance income	**3.7**	**1.3**

Other loans and receivables includes £0.2m (2016: £0.5m) in relation to net finance income on the defined benefit pension scheme.

10 Finance costs

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Interest on bank overdrafts and loans	101.1	100.1
Other loan interest	130.3	125.0
Bank and other loan interest	231.4	225.1
Amortisation of debt issue costs	13.1	12.2
Interest on obligations under finance leases	1.0	1.0
Shareholder loan note interest	316.6	278.5
Other interest	17.0	19.4
Total interest payable	**579.1**	**536.2**
Less amounts included in the cost of qualifying assets	-	(1.7)
Unwinding of discount on provisions (see note 26)	3.0	1.8
Total finance costs	**582.1**	**536.3**

The shareholder loan notes carry fixed interest rates of between 13.0% and 14.0%, payment of which can be deferred at the option of the Group subject to certain conditions, qualification of which are subject to bi-annual review (see note 23).

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate on expenditure on such assets equal to the Group's effective interest rate for capital expenditure (2017: n/a; 2016: 3.0%).

11 Other gains and losses

	Notes	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Foreign exchange on financing		(8.3)	(38.1)
Fair value (loss) / gain on derivative financial instruments	25	(104.2)	38.0
Other gains and losses		**(112.5)**	**(0.1)**
Exceptional (loss) / profit on disposal of subsidiary	7,29	(5.2)	14.4
Exceptional close out of swap arrangements	7	(15.4)	-
Exceptional other gains and losses		**(20.6)**	**14.4**
Total other gains and losses		**(133.1)**	**14.3**

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

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

12 Tax

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
UK Corporation tax:		
- Current year	-	(0.1)
- Adjustment in respect of prior years	-	-
Current year overseas tax	0.1	-
Total current tax	0.1	(0.1)
Deferred tax (see note 20):		
- Origination and reversal of temporary differences	(69.2)	(10.1)
- Change in unrecognised deferred tax assets	92.4	11.7
- Adjustment in respect of prior years	(35.0)	(1.6)
- Impact of rate change	11.8	-
Total deferred tax	-	-
Total tax charge / (credit) for the year	**0.1**	**(0.1)**

UK Corporation tax is calculated at the weighted average rate of 19.75% (2016: 20.00%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Loss before tax on continuing operations	(427.0)	(249.6)
Tax at the UK Corporation tax rate of 19.75% (2016: 20.0%)	(84.3)	(49.9)
Tax effect of expenses that are not deductible in determining taxable profit	4.0	41.0
Tax effect of income not taxable in determining taxable profit	-	(2.9)
Adjustments with respect to prior years	(35.0)	-
Change in unrecognised deferred tax assets	92.4	11.7
Impact of change in tax rate	23.0	-
Total tax charge / (credit) for the year	**0.1**	**(0.1)**

Expenses that are not deductible in determining taxable profit principally relate to interest payable on shareholder loan notes, less the interest from earlier periods on the shareholder loan notes which is deductible in this year.

Change in unrecognised deferred tax assets includes the changes in the tax losses in the year which have not been recognised as a deferred tax asset.

The main rate of UK corporation tax decreased from 20% to 19% during the period and a 19.75% blended tax rate (2016: 20.00%) has therefore been used for the reconciliation of total tax. Finance Act 2016 was substantively enacted in the period ended 30 June 2017 and further reduced the main rate of corporation tax from 19% to 17% with effect from 1 April 2020. UK deferred tax has been valued at 17% (2016: 18%) as this is the rate at which the deferred tax balances are forecast to unwind.

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

13 Dividends

	Year ended 30 June 2017 £ per share	Year ended 30 June 2017 £m	Year ended 30 June 2016 £ per share	Year ended 30 June 2016 £m
Now Digital (East Midlands) Limited	-	-	0.30	0.1
South West Digital Radio Limited	-	-	0.42	-
Total dividends payable to minority interests		**-**		**0.1**

The above amounts represent dividends declared but not paid to non-controlling interest shareholders by Group companies. No dividends were paid to AGL shareholders.

14 Goodwill

	£m
Cost:	
At 1 July 2015	2,011.6
Disposals	(24.4)
At 30 June 2016	1,987.2
Disposals	(6.8)
At 30 June 2017	**1,980.4**
Accumulated impairment losses:	
At 1 July 2015	23.2
Disposals	(22.8)
At 30 June 2016 and 30 June 2017	**0.4**
Carrying amount:	
At 30 June 2017	**1,980.0**
At 30 June 2016	1,986.8

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

The Group disposed of £6.8m of goodwill in relation to its investment in Arqiva WiFi Limited, which was disposed of by the Group on 1 November 2016. See note 29 for further information.

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

	30 June 2017 £m	30 June 2016 £m
Terrestrial Broadcast	1,236.1	1,236.1
Telecoms & M2M	640.4	647.2
Satellite and Media	103.5	103.5
Total	**1,980.0**	**1,986.8**

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

Projected cash flows and the 'recoverable amount'

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

Discount rate

The pre-tax discount rate applied to the cash flow forecasts are derived using the capital asset pricing model for comparable businesses. The assumptions used are benchmarked to externally available data. The pre-tax discount rate used is 8.0% (2016: 7.7%).

Terminal growth rates

The terminal growth rate is determined based on the long-term growth rates of the regions in which the CGU operates (2017: 1.8%; 2016: 2.1%). The growth rate has been benchmarked against externally available data. This rate does not exceed the average long-term growth rate for the relevant markets.

Sensitivities

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

15 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2015	7.5	7.4	23.1	59.9	97.9
Additions	-	7.0	-	10.4	17.4
Disposals	-	(5.9)	-	(0.4)	(6.3)
At 30 June 2016	7.5	8.5	23.1	69.9	109.0
Additions	8.0	2.2	-	0.1	10.3
Transfers from AUC (note 16)	-	3.7	-	9.7	13.4
Disposals	(0.4)	(0.8)	(7.7)	(2.1)	(11.0)
At 30 June 2017	**15.1**	**13.6**	**15.4**	**77.6**	**121.7**
Accumulated amortisation					
At 1 July 2015	3.8	6.2	18.1	32.6	60.7
Amortisation	0.5	1.4	0.8	7.7	10.4
Disposals	-	(5.8)	-	(0.4)	(6.2)
At 30 June 2016	4.3	1.8	18.9	39.9	64.9
Amortisation	0.5	2.1	0.3	9.7	12.6
Disposals	(0.3)	(0.4)	(3.8)	(0.2)	(4.7)
At 30 June 2017	**4.5**	**3.5**	**15.4**	**49.4**	**72.8**
Carrying amount					
At 30 June 2017	**10.6**	**10.1**	**-**	**28.2**	**48.9**
At 30 June 2016	3.2	6.7	4.2	30.0	44.1

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

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

16 Property, plant and equipment

	Freehold land and buildings	Leasehold buildings	Plant and equipment	Assets under the course of construction (AUC)	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2015	326.6	139.6	1,715.9	181.9	2,364.0
Additions	-	-	11.0	155.7	166.7
Completion of AUC	2.6	7.8	227.2	(237.6)	-
Disposals	(1.0)	(0.9)	(33.8)	-	(35.7)
At 30 June 2016	328.2	146.5	1,920.3	100.0	2,495.0
Additions	-	0.2	11.8	154.7	166.7
Completion of AUC	5.7	2.2	144.0	(151.9)	-
Transfers to other intangibles (note 15)	-	-	-	(13.4)	(13.4)
Reclassifications	3.8	7.3	(11.1)	-	-
Disposals	(0.3)	(2.7)	(41.9)	-	(44.9)
At 30 June 2017	**337.4**	**153.5**	**2,023.1**	**89.4**	**2,603.4**
Accumulated depreciation					
At 1 July 2015	22.8	43.0	561.6	-	627.4
Depreciation	5.3	6.7	117.4	-	129.4
Disposals	(0.7)	(0.7)	(29.2)	-	(30.6)
At 30 June 2016	27.4	49.0	649.8	-	726.2
Depreciation	7.3	4.8	129.5	-	141.6
Reclassifications	1.7	4.8	(6.5)	-	-
Disposals	(0.2)	(2.0)	(32.4)	-	(34.6)
At 30 June 2017	**36.2**	**56.6**	**740.4**	**-**	**833.2**
Carrying amount					
At 30 June 2017	**301.2**	**96.9**	**1,282.7**	**89.4**	**1,770.2**
At 30 June 2016	300.8	97.5	1,270.5	100.0	1,768.8

Freehold land included above but not depreciated amounts to £180.0m (2016: £180.0m).

The Group's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 23). In addition, the Group's obligations under finance leases (see note 24) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.8m (2016: £6.2m) included within leasehold buildings.

During the year, £nil (2016: £1.7m) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £14.8m (2016: £20.5m).

At 30 June 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £49.1m (2016: £22.4m) – see note 28 for further details.

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £30.9m (2016: £20.6m) and accumulated depreciation of £6.1m (2016: £3.6m). Fair value was determined using observable inputs (fair value hierarchy level 2).

17 Interest in associates and joint ventures

In addition to the subsidiary undertakings (see the notes to the Company financial statements on page 132) the Group holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.30%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

Share of results of associates and joint ventures was £0.3m (2016: £0.1m) for the year with the interest in associates and joint ventures being £5.1m (2016: £4.8m).

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

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

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

18 Trade and other receivables

	30 June 2017 £m	30 June 2016 £m
Trade receivables	127.3	115.7
Loans receivable from joint ventures	0.6	0.5
Other receivables	6.9	9.1
Prepayments	90.1	78.8
Accrued income	97.6	90.7
Amounts receivable from finance lease arrangements (see note 19)	2.2	2.4
	324.7	**297.2**

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

	30 June 2017 £m	30 June 2016 £m
Up to 30 days overdue	30.5	10.0
Up to 90 days overdue	4.3	5.6
Between 91 and 150 days overdue	0.9	2.0
More than 150 days overdue	1.3	0.7
	37.0	**18.3**

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Allowance at 1 July	9.5	9.8
Amounts utilised	(0.8)	(2.5)
Provided during the year	2.1	2.2
Allowance at 30 June	**10.8**	**9.5**

The Group's policy is to recommend providing for trade receivables outstanding for more than 30 days beyond the agreed terms, or where the business environment indicates a specific risk. Management will make an assessment of the level of provision based on the Group policy. Adjustments to the calculated level of provision will be made accordingly.

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

19 Finance lease receivables

	30 June 2017 £m	30 June 2016 £m
Gross amounts receivable under finance leases:		
Within one year	0.4	0.4
In the second to fifth years inclusive	1.9	1.9
After five years	0.8	1.2
	3.1	3.5
Less: unearned finance income	(0.9)	(1.1)
Present value of minimum lease payments receivable	**2.2**	**2.4**
Net amounts receivable under finance leases:		
Within one year	0.2	0.2
In the second to fifth years inclusive	1.3	1.2
After five years	0.7	1.0
Present value of minimum lease payments receivable	**2.2**	**2.4**
Analysed as:		
Non-current finance lease receivables	2.0	2.2
Current finance lease receivables	0.2	0.2
Total finance leases	**2.2**	**2.4**

The Group entered into finance leasing arrangements for certain sites. The average outstanding term of finance leases entered in to is 6.8 years at 30 June 2017 (2016: 7.8 years).

20 Deferred tax

The balance of deferred tax recognised at 30 June 2017 is £nil (2016: £nil). The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Accelerated tax depreciation**	**Derivative financial instruments**	**Total**
	£m	**£m**	**£m**
At 1 July 2015	-	25.3	25.3
Credited / (charged) to the income statement	13.9	(25.3)	(11.4)
At 30 June 2016	13.9	-	13.9
Charged to the income statement	(13.9)	-	(13.9)
At 30 June 2017	**-**	**-**	**-**

Deferred tax liabilities	**Accelerated tax depreciation**	**Other temporary differences**	**Total**
	£m	**£m**	**£m**
At 1 July 2015	(8.6)	(16.7)	(25.3)
Credited to the income statement	8.6	2.8	11.4
At 30 June 2016	-	(13.9)	(13.9)
Credited to the income statement	-	13.9	13.9
At 30 June 2017	**-**	**-**	**-**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. Due to the level of tax deductible interest and capital allowances available, the Group has an unrecognised deferred tax asset of £297.8m (2016: £205.4m). This is in respect of tax losses of £91.7m (2016: £39.9m), derivative financial instruments £166.3m (2016: £163.8m), fixed asset temporary differences £38.1m (2016: £1.7m) and other temporary differences £1.7m (2016: £nil). These deferred tax assets may be carried forward indefinitely.

This value has been calculated based on the UK corporation tax rate of 17.0% (2016: 18.0%); the rate substantively enacted at the balance sheet date.

No deferred tax liability is recognised on temporary differences of £nil (2016: £nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

In the March 2016 budget, the UK Government announced that it planned to introduce new rules to restrict the deductibility of net interest costs from 1 April 2017. The proposed changes had not been substantively enacted at the balance sheet date and therefore their effects are not included in the financial statements. However, it remains the UK Government's stated intention that the rules will have retrospective effect from 1 April 2017.

Subject to other recognition criteria and based on published draft legislation setting out these new rules, it is likely that the overall effect of the changes, if they had been substantively enacted by the balance sheet date, would have been to recognise certain additional deferred tax assets primarily in relation to financial instruments and fixed asset temporary differences.

21 Cash and cash equivalents

	30 June 2017 £m	30 June 2016 £m
Cash at bank	8.1	17.4
Short term deposits	9.9	23.6
Restricted cash	28.5	28.5
Total cash and cash equivalents	**46.5**	**69.5**

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

22 Trade and other payables

	30 June 2017 £m	30 June 2016 £m
Current		
Trade payables	49.6	55.5
Taxation and social security	23.7	30.3
Other payables	7.9	7.3
Accruals[1]	116.7	97.7
Deferred revenue	222.1	182.3
Total current trade and other payables	**420.0**	**373.1**
Non-current		
Other payables	-	0.1
Deferred revenue	186.4	172.0
Total non-current trade and other payables	**186.4**	**172.1**

[1] Historically reported to include accrued interest on third party debt (2016: £14.7m); this has been reclassified at 30 June 2017 as a component of borrowings (see note 23), presented within current liabilities. The balance at 30 June 2016 includes £1.1m interest receivable under swap arrangements associated with the underlying financing.

23 Borrowings

	Denominated currency	30 June 2017 £m	30 June 2016 £m
Within current liabilities:			
Finance lease obligations (see note 24)	Sterling	0.4	0.4
Bank facility	Sterling	86.0	5.0
Senior bonds and notes (amortising)	Sterling	13.3	-
Accrued interest on junior and senior financing[1]	Sterling	14.0	-
Accrued interest on shareholder loan notes[2]	Sterling	478.5	1,036.5
Borrowings due within one year		**592.2**	**1,041.9**
Within non-current liabilities:			
Bank loans		**520.5**	**839.9**
- Senior debt*	Sterling	525.0	843.5
- Issue costs	Sterling	(5.7)	(4.5)
- Other facilities	Sterling	1.2	0.9
Other loans		**2,440.9**	**2,223.8**
- Senior bonds, notes and private placements	Sterling	1,582.2	1,377.0
	US Dollar	275.1	266.5
- Junior bonds	Sterling	600.0	600.0
- Issue costs	Sterling	(16.4)	(19.7)
Shareholder loan notes [2]	Sterling	**2,148.1**	**1,273.6**
Finance lease obligations (see note 24)	Sterling	**12.6**	**13.0**
Borrowings due after more than one year		**5,122.1**	**4,350.3**
Analysis of total borrowings by currency:			
Sterling		5,439.2	5,125.7
US Dollar		275.1	266.5
Total borrowings		**5,714.3**	**5,392.2**

*Senior debt includes £nil (2016: £120.0m) drawn down on the capital expenditure facility.

[1] Historically reported as part of accruals (note 22); this has been reclassified at 30 June 2017 as a component of borrowings, presented within current liabilities. The balance at 30 June 2017 includes £1.3m interest receivable under swap arrangements associated with the underlying financing.

[2] During the year the Group settled £874.5m of accrued interest in consideration for payment-in-kind of additional loan notes and has been reclassified as a component of non-current liabilities within shareholder loan notes.

The fair value of the quoted senior bonds based upon observable market prices (fair value hierarchy level 1) was £1,020.4m (2016: £996.0m) whilst their carrying value was £914.0m (2016: £914.0m).

The fair value of the quoted junior bonds based upon observable market prices (fair value hierarchy level 1) was £640.4m (2016: £642.1m) whilst their carrying value was £600.0m (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 £476.0m (2016: £458.0m) whilst their carrying value was £438.1m (2016: £429.5m).

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

The shareholder loan notes carry a fixed rate of interest ranging between 13.0% and 14.0% applicable to the capital and un-paid interest which can be deferred at the option of the Group subject to certain conditions, qualification of which are subject to bi-annual review. The Group has exercised this option to defer interest payments since June 2009.

The weighted average interest rate of borrowings (excluding shareholder interest as described above) is 7.94% (2016: 7.86%).

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

	30 June 2017 £m	30 June 2016 £m
Borrowings falling due within:		
One year	99.7	5.4
One to five years[1]	3,671.9	1,639.5
More than five years	1,472.3	2,735.0
Total	**5,243.9**	**4,379.9**

[1] At 30 June 2017 this category includes £2,148.1m shareholder loan notes repayable between March 2021 and March 2022.

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

In November 2016, the Group completed the refinancing of all of the bank facilities that were due to mature in 2018 namely the £353.5m term bank loan and working capital and capex facilities. These were replaced with a new bank term loan with an expected maturity of June 2020, a £218.5m sterling denominated floating rate amortising US private placement with a maturity date of December 2029 and new working capital and capital expenditure facilities with an expected maturity of March 2021. In addition, the Group replaced the existing £200m liquidity facility with a new £250m facility that supports the payment of scheduled interest and principal.

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

Borrowings:	**At 1 July 2016**	**Amounts drawn down**	**Amounts repaid**	**PiK loan notes issued**	**Revaluations**	**At 30 June 2017**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Bank loans – working capital facility	5.0	81.0	-	-	-	86.0
Bank loans – capital expenditure facility	120.0	-	(120.0)	-	-	-
Senior debt – term loan facility	353.5	-	(353.5)	-	-	-
Senior debt – institutional term loan	180.0	-	-	-	-	180.0
Senior debt – European Investment Bank	190.0	-	-	-	-	190.0
Senior debt – bank term loan	-	255.0	(100.0)	-	-	155.0
Other facilities	0.9	0.3	-	-	-	1.2
Senior bonds, notes and US private placement	1,643.5	218.5	-	-	8.6	1,870.6
Junior bonds	600.0	-	-	-	-	600.0
Total bank loans and private placements	**3,092.9**	**554.8**	**(573.5)**	**-**	**8.6**	**3,082.8**
Finance lease obligations	13.4	-	(0.4)	-	-	13.0
Shareholder loan notes	1,273.6	-	-	874.5	-	2,148.1
Total borrowings	**4,379.9**	**554.8**	**(573.9)**	**874.5**	**8.6**	**5,243.9**

Senior debt includes a bank term loan (£155.0m outstanding) with an expected maturity date of June 2020 (with an additional mechanism to prepay portions of this earlier if surplus funds are available); an institutional term loan (£180.0m outstanding) with an expected maturity date of December 2023; a loan from the European Investment Bank (£190.0m outstanding) with an expected maturity date of June 2024 and capital expenditure and working capital facilities (£86.0m outstanding) with an expected maturity date of June 2021. All of these facilities are floating rate in nature with a margin over LIBOR of between 130 and 205 bps. Arqiva Financing No1 Limited ('AF1') is the borrower under all of these arrangements.

The Group has £554.0m (2016: £575.0m) of undrawn senior debt facilities available. These facilities are at floating interest rates. For further information on the Group's liquidity risk management, see note 25.

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

As at 30 June 2017, the Group has £914.0m sterling denominated bonds outstanding with fixed interest rates ranging between 4.04% and 5.34%. These bonds are repayable between June 2018 and December 2032 and are listed on the London Stock Exchange. Arqiva Financing Plc is the issuer of all the Group's senior listed bonds.

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

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

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

In December 2013, the Group established **facilities** in Arqiva Smart Financing Limited (a Group company) that support the Group's smart energy metering contracts by financing the purchase of communication hubs. This £30m facility matures in Jun 2028 and £0.1m was drawn at the end of June 2017 (June 2016: £nil). There is also an associated £1.6m fee facility that matures by June 2019 which was £1.1m drawn as at June 2017 (June 2016: £0.9m). These loans have floating rates of interest with margins ranging from LIBOR + 1.20% to 2.50%.

All **shareholder loan notes** are unsecured, are listed on the Channel Islands Stock Exchange, are repayable between March 2021 and March 2022, and cannot be called upon early. The shareholder loan notes carry a fixed rate of interest ranging between 13% and 14% which can be deferred at the option of the Group subject to certain conditions, qualification of which are subject to bi-annual review, applicable to the capital and unpaid interest. The Group has exercised this option to defer interest payments since 2009.

Furthermore, in March 2017 the Group settled £874.5m of the accrued interest in consideration for payment-in-kind ('PIK') loan notes. The terms of these PIK notes mirror the terms of the accrued interest, however the contractual maturity of these PIK notes reflects that of the underlying shareholder loan notes (i.e. between March 2021 and March 2022) and therefore have been presented as part of the non-current liability. Accordingly a remaining balance of £478.5m (2016: £1,036.5m) is held in relation to accrued interest. This treatment is consistent with the accounting policy adopted for previous transactions of this kind.

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

24 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2017 £m	30 June 2016 £m
Within one year	1.4	1.4
In more than one year, but not more than five years	6.0	5.8
After five years	13.3	14.9
Total gross payments	**20.7**	**22.1**
Less finance charges included above	(7.7)	(8.7)
Total obligations under finance leases	**13.0**	**13.4**
Analysed as:		
Net amounts due for settlement within one year	0.4	0.4
Net amounts due for settlement after one year	12.6	13.0
Total obligations under finance leases	**13.0**	**13.4**

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

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

25 Financial instruments and risk management

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

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

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

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

Financial risk management
The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group using financial instruments wherever it is appropriate to do so. The treasury function reports directly into the Chief Financial Officer and the Group's Board of Directors and the Audit Committee, an independent function with a scope that includes monitoring the risks and policies implemented to mitigate risk exposures. The main risks addressed by financial instruments are interest rate risk and foreign currency exchange risk. The Group's policies in respect of these risks remain unchanged throughout the year.

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

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

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

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

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

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

***Translation risk*:** The Group translates overseas results and net assets in accordance with the accounting policy in note 3. Given the Group predominantly operates in the UK, there is a relatively small exposure with overseas entities accounting for only 0.2% (2016: 0.5%) of operating profit and 0.1% (2016: 0.1%) of total assets for the Group.

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

	30 June 2017 £m	30 June 2016 £m
Monetary assets:		
- US Dollar	3.3	6.9
- Euro	10.6	11.9
- Other (including SGD*)	0.8	0.5
Total	**14.7**	**19.3**
Monetary liabilities:		
- US Dollar	(1.1)	(2.8)
- Euro	(5.5)	(10.2)
- Other (including SGD*)	-	(0.1)
Total	**(6.6)**	**(13.1)**

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

Foreign currency denominated cash balances have a weighted average interest rate of 0.0% (2016: 0.0%).

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

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

Interest rate risk management

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

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

Liquidity risk management

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

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

	Amounts falling due							
30 June 2017	**Within one year**	**Between one and two years**	**Between two and five years**	**After five years**	**Total**	**Effect of discounting**	**Interest to be incurred in future periods**	**Total financial liability per statement of financial position**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Trade and other payables	49.6	-	-	-	49.6	-	-	**49.6**
Provisions*	19.2	1.2	3.6	168.8	192.8	(117.0)	-	**75.8**
Borrowings**	99.3	52.8	3,707.8	1,371.0	5,230.9	-	-	**5,230.9**
	168.1	**54.0**	**3,711.4**	**1,539.8**	**5,473.3**	**(117.0)**	**-**	**5,356.3**
Interest on borrowings***	142.8	142.3	254.2	256.9	796.2	-	(782.2)	**14.0**
Interest rate swaps	66.0	58.5	140.9	126.2	391.6	(25.7)	-	**365.9**
Inflation linked interest rate swaps	89.0	85.7	278.7	532.1	985.5	(142.5)	-	**843.0**
Cross-currency swaps	(1.8)	(4.6)	(19.7)	(23.1)	(49.2)	20.0	-	**(29.2)**
	153.2	**139.6**	**399.9**	**635.2**	**1,327.9**	**(148.2)**	**-**	**1,179.7**
Total financial liability	**464.1**	**335.9**	**4,365.5**	**2,431.9**	**7,597.4**	**(265.2)**	**(782.2)**	**6,550.0**

*Includes an estimated £nil undiscounted cash flows maturing after 20 years.
**Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.
***Excludes accrued interest on shareholder loan notes for which interest payments can be deferred at the option of the Group.

30 June 2016	Amounts falling due Within one year	Between one and two years	Between two and five years	After five years	Total	Effect of discounting	Interest to be incurred in future periods	Total financial liability per statement of financial position
	£m	£m	£m	£m	£m	£m	£m	£m
Trade and other payables	55.5	-	-	-	55.5	-	-	**55.5**
Provisions*	7.9	1.0	1.8	158.8	169.5	(108.9)	-	**60.6**
Borrowings**	5.9	486.8	1,558.9	2,315.0	4,366.6	-	-	**4,366.6**
	69.3	**487.8**	**1,560.7**	**2,473.8**	**4,591.6**	**(108.9)**	**-**	**4,482.7**
Interest on borrowings***	148.5	142.1	306.7	282.0	879.3	-	(864.6)	**14.7**
Interest rate swaps	57.7	59.1	170.9	213.2	500.9	(59.0)	-	**441.9**
Inflation linked interest rate swaps	63.1	71.8	236.4	563.9	935.2	(188.8)	-	**746.4**
Cross-currency swaps	(1.6)	(1.6)	(14.7)	(26.8)	(44.7)	13.6	-	**(31.1)**
	119.2	**129.3**	**392.6**	**750.3**	**1,391.4**	**(234.2)**	**-**	**1,157.2**
Total financial liability	**337.0**	**759.2**	**2,260.0**	**3,506.1**	**6,862.3**	**(343.1)**	**(864.6)**	**5,654.6**

*Includes an estimated £126.4m undiscounted cash flows maturing after 20 years.
**Borrowings are presented as per note 23 but excluding accrued interest, which is presented separately in these tables, and finance lease obligations which are analysed separately in note 24.
***Excludes accrued interest on shareholder loan notes for which interest payments can be deferred at the option of the Group.

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

	30 June 2017	30 June 2016
	£m	£m
Secured bank facilities:		
- Amount utilised	86.0	125.0
- Amount unutilised	554.0	575.0
Total	**640.0**	**700.0**

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

Credit risk management

The Group is exposed to credit risk on customer receivables, which is managed through credit-checking procedures prior to taking on new customers and higher risk customers paying in advance of services being provided. Performance is closely monitored to ensure agreed service levels are maintained, reducing the level of queried payments and mitigating the risk of uncollectable debts.

Financial instruments

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

The weighted average interest rate of fixed rate financial liabilities at 30 June 2017 was 6.10% (2016: 6.10%) and the weighted average period of funding was 5.9 years (2016: 6.8 years).

Within the Group's financial liabilities were borrowings of £5,700.3m (2016: £5,392.2m) (see note 23), which includes £1,129.5m (2016: £1,023.5m) with floating rate interest and the remainder with fixed rate interest (prior to the hedging arrangements described previously).

The Group's financial assets comprise cash and cash equivalents of £46.5m (2016: £69.5m) and loans and receivables of £234.6m (2016: £218.4m) as presented in notes 21 and 18 respectively.

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

In conjunction with the November 2016 refinancing (see note 23), the Group restructured the derivatives held by Arqiva Senior Finance Limited ('ASFL'). £353.2m notional value of swap options were fully closed out for cash proceeds of £3.2m and £353.2m of notional value of interest rate swaps were terminated for a cash payment of £163.3m. Simultaneously, AF1 entered into new interest rate swap contracts with a notional amount of £353.5m to hedge the interest obligations of the newly established bank term loan and US private placement notes which resulted in a premium of £127.2m being received. These amendments to the derivative portfolio resulted in a £15.4m exceptional loss being recognised in other gains and losses (see note 11). As part of these amendments, the mandatory break clauses were removed.

The above amendments were completed in order to comply with the covenants under its WBS platform and the Group's overall strategy to ensure that a majority of interest exposures are hedged.

At the year end, the Group held interest rate swaps with notional amounts of £1,023.5m which hedge the interest obligations of the Group's floating rate debt. The average fixed rate on these instruments is 7.02%. The swap contracts have termination dates that match the maturities of the underlying floating rate debt instruments (see note 23).

The Group has also entered into index linked swaps (notional amounts of £1,312.5m) where the Group receives floating and pays fixed interest obligations to an average rate of 2.939% indexed with RPI. The notional amounts of these swaps increase with RPI and these accretion amounts are cash settled annually, most recently in June 2017 (£53.4m). All of these instruments have a maturity date of April 2027; however £235.0m of these have a mandatory break clause in 2023. These instruments were established to hedge the Group's fixed rate debt (namely fixed rate sterling bonds and the fixed rate US Private Placement issues) and in order to ensure that the cash flow characteristics align with these instruments, the Group has entered into £1,312.5m of fixed to floating rate interest rate swaps to match the cash flows on both the fixed rate debt instruments and the index linked swaps set out above.

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

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2017 is a liability of £1,179.7m (2016: £1,157.2m). This fair value is calculated using a risk-adjusted discount rate.

Following their close-out in November 2016, the Group no longer holds any swap options (2016: £353.2m notional).

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

	30 June 2017 £m	30 June 2016 £m
Interest rate swaps	(365.9)	(441.9)
Inflation-linked interest rate swaps	(843.0)	(746.4)
Swap Options	-	10.9
Cross-currency swaps	29.2	31.1
Total	**(1,179.7)**	**(1,146.3)**
Change in fair value recognised in the income statement:		
- Attributable to changes in market conditions	(13.1)	(27.0)
- Attributable to changes in perceived credit risk	(91.1)	65.0
Close out of swap arrangements (note 7)	(15.4)	-
Total (loss) / gain recognised in the income statement	**(119.6)**	**38.0**
Less cash settlement of principal accretion on inflation-linked swaps	53.4	26.0
Net cash outflow on refinancing of interest rate swaps and swap options	32.8	-
Total change in fair value	**(33.4)**	**64.0**

Where possible, the Group seeks to match the maturity of any derivative contracts with that of debt instruments that it has issued. In some of the Group's derivative instruments, break clauses have been included to both match underlying facility maturities and to optimise the availability and cost of hedging lines with the Group's derivative counterparties.

Fair value hierarchy

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

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

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

26 Provisions

	Onerous contracts	Decommissioning	Restructuring	Remediation	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2016	5.1	49.4	0.5	4.7	0.9	60.6
Income statement expense	0.8	0.5	15.6	-	0.3	17.2
Additions created through property, plant and equipment	-	1.2	-	-	-	1.2
Unwind of discount	-	2.8	-	0.2	-	3.0
Released	(0.5)	(0.4)	(0.2)	-	-	(1.1)
Utilised	(4.6)	(0.2)	(0.3)	-	-	(5.1)
At 30 June 2017	**0.8**	**53.3**	**15.6**	**4.9**	**1.2**	**75.8**

	30 June 2017	30 June 2016
	£m	£m
Analysed as:		
Current	18.8	8.0
Non-current	57.0	52.6
	75.8	**60.6**

The onerous contracts 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 five years.

Provisions are made for decommissioning and asset at risk costs where the Group has an obligation to restore sites and the cost of restoration is not recoverable from third parties. The provision is in relation to assets of which the remaining useful economic life ranges up to 18 years.

The restructuring provision relates to the costs of exceptional activities to reorganise the Group through its FutureFit programme which will be utilised during the next financial year.

The remediation provision represents the cost of works identified as being required across a number of the Group's sites and is expected to be utilised over the next one to ten years.

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

27 Notes to the cash flow statement

Reconciliation from operating profit to net cash from operating activities:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Operating profit	284.5	271.1
Adjustments for:		
Depreciation of property, plant and equipment	141.6	129.4
Amortisation of intangible assets	12.6	10.4
Loss on disposal of property, plant and equipment	0.2	0.3
Other income	(1.1)	(0.2)
Share of results of associates and joint ventures	(0.3)	(0.1)
Operating cash flows before movements in working capital	437.5	410.9
Increase in receivables	(29.4)	(71.7)
Increase in payables	49.5	32.3
Increase in provisions	13.1	2.8
Cash generated from operating activities	**470.7**	**374.3**
Taxes (paid) / refunded	(0.1)	0.2
Net cash from operating activities	**470.6**	**374.5**

Analysis of changes in net debt (comprising shareholder loan notes excluding accrued interest thereon, bank and other loans and finance lease obligations offset by cash and loans to joint ventures):

	Note	At 1 July 2016 £m	Cash flows £m	Other non-cash changes £m	At 30 June 2017 £m
Cash and cash equivalents	21	69.5	(23.0)	-	**46.5**
Amounts receivable from joint ventures	18	0.5	-	0.1	**0.6**
Debt due within one year	23	(5.4)	(80.6)	(13.7)	**(99.7)**
Debt due after one year	23	(4,350.3)	106.8	(878.6)	**(5,122.1)**
Total		**(4,285.7)**	**3.2**	**(892.2)**	**(5,174.7)**

	Note	At 1 July 2015 £m	Cash flows £m	Other non-cash changes £m	At 30 June 2016 £m
Cash and cash equivalents	21	98.5	(29.0)	-	**69.5**
Amounts receivable from joint ventures	18	0.5	-	-	**0.5**
Debt due within one year	23	(0.4)	(4.6)	(0.4)	**(5.4)**
Debt due after one year	23	(4,304.3)	-	(46.0)	**(4,350.3)**
Total		**(4,205.7)**	**(33.6)**	**(46.4)**	**(4,285.7)**

Major non-cash changes include movements in unamortised debt issue costs, revaluations in US dollar denominated borrowings and settlement of accrued interest on shareholder loan notes in consideration for payment-in-kind loan notes (see note 23).

28 Financial commitments and contingent liabilities

Financing commitments

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

Capital commitments

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

	30 June 2017 £m	30 June 2016 £m
Within one year	44.3	21.9
Within two to five years	4.8	0.5
Total capital commitments	**49.1**	**22.4**

Operating leases

Future minimum operating lease payments for the Group in relation to non-cancellable operating leases for land, buildings and other infrastructure locations fall due as follows:

	30 June 2017 £m	30 June 2016 £m
Within one year	31.6	29.4
Within two to five years	94.9	91.9
After five years	141.7	148.2
Total future minimum operating lease payments	**268.2**	**269.5**

Other annual lease commitments fall due:

	30 June 2017 £m	30 June 2016 £m
Within one year	1.8	1.6
Within two to five years	1.7	1.4
Total future minimum operating lease payments	**3.5**	**3.0**

29 Disposal of business

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

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

*Attributable goodwill has been calculated with reference to the goodwill recognised at the time of acquisition. This was allocated to Arqiva WiFi Limited based on management forecasts of performance of the companies acquired.

The loss on disposal is included within the income statement in other gains and losses as an exceptional item (see notes 11 and 7 respectively).

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Revenue	7.2	22.0	22.9
Cost of sales	(5.3)	(17.2)	(17.2)
Operating expenses	(1.9)	(4.6)	(4.9)
Operating profit	**-**	**0.2**	**0.8**

On 1 December 2015, the Group sold Secure Solutions assets and contracts which had been identified as non-core business. The trading results of the disposed components which have been included in the consolidated income statement up to the date of disposal were as follows:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
Revenue	-	6.8	16.0
Cost of sales	(0.1)	(4.5)	(13.0)
Operating expenses	-	(1.3)	(5.4)
Operating profit/(loss)	**(0.1)**	**1.0**	**(2.4)**

Other than the WiFi and Secure Solutions disposals, there were no material revenues or profits/losses generated from disposed businesses.

On 11 December 2015 the Group sold 100% interest in the ordinary share capital of NWP Street Limited, a subsidiary undertaking. The profit on disposal recognised in other gains and losses as an exceptional item was £14.4m at 30 June 2016. The total consideration was £16.4m, satisfied by cash and cash equivalents.

30 Retirement benefits

Defined contribution scheme
Arqiva Limited has operated a Defined Contribution Scheme during the year, for those employees who are not members of the Group's Defined Benefit Plan. Contributions payable in respect of this Scheme for the year were £10.7m (2016: £7.0m). The assets of the Scheme are held outside of the Group.

An amount of £0.7m (2016: £0.6m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan
In the year to 30 June 2017, the Group operated one Defined Benefit Plan, sponsored by Arqiva Limited. The Defined Benefit Plan is administered by a separate entity that is legally separated from the Group, and therefore the Plan assets are held separately from those of Arqiva Limited. The trustees of the Plan are required by law to act in the interests of the Plan and of all relevant stakeholders in the Plan. The trustees are responsible for the investment policy with regard to the Plan assets.

The Plan typically exposes the Group to risks such as: investment risk, interest rate risk, and longevity risk.

Investment risk	The present value of the defined benefit Plan liability for IAS19 purposes is calculated using a discount rate determined by reference to high quality corporate bond yields, which is different to how the Plan assets are invested. Currently the Plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Plan liabilities, the trustees of the Plan consider it appropriate that a reasonable portion of the Plan assets should be invested in equity securities to leverage the expected return generated by the Plan assets.
Interest risk	A decrease in the bond interest rate will increase the valuation of the Plan's IAS19 liability but this will be partially offset by an increase in the value of the Plan's corporate bond investments.
Longevity risk	The present value of the defined benefit Plan liability is calculated by reference to a best estimate of the mortality of Plan participants both during and after their retirement. An increase in the life expectancy of the Plan participants will increase the Plan's assessed liability.
Salary risk	The present value of the defined benefit Plan liability is calculated by reference to the future salaries of Plan participants. As such, an increase in the salary of the Plan participants will increase the Plan's liability.

The Plan closed to the future accrual of benefits on 31 January 2016. The weighted average duration of the expected benefit payments from the Plan is around 21 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out at 30 June 2014 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	30 June 2017	30 June 2016
Key assumptions		
Discount rate	2.80%	3.10%
Price inflation (RPI)	3.10%	2.80%
Life expectancy of a male / female age 60 (current pensioner)	26.7yrs / 28.6yrs	27.1yrs / 29.3yrs
Life expectancy of a male / female age 60 (future pensioner)	28.3yrs / 30.3yrs	29.0yrs / 31.3yrs
Other linked assumptions		
Price inflation (CPI)	2.00%	1.80%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.60%	3.50%
Pension increases (RPI with a maximum of 10%)	3.10%	2.80%
Salary growth	n/a	n/a

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Service cost:		
- Current service cost	-	2.9
- Past service cost and loss from settlements	-	0.4
Gains from curtailments	-	(0.5)
Components of defined benefit costs recognised in profit or loss	(0.2)	(0.5)
	(0.2)	**2.3**

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

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Return on Plan assets excluding Interest Income	18.7	13.4
Experience gains arising on the Plan's liabilities	1.0	2.9
Actuarial losses arising from changes in financial assumptions	(26.9)	(23.1)
Actuarial gains arising from changes in demographic assumptions	6.7	-
	(0.5)	**(6.8)**

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

	30 June 2017 £m	30 June 2016 £m
Fair value of Plan assets	241.1	223.4
Present value of defined benefit Plan liabilities	(234.0)	(216.0)
Surplus at 30 June	**7.1**	**7.4**

The Group have considered the impact of IFRIC14 and in line with the Plan's Rules, the Group is able to recognise the Plan's surplus in its entirety.

The reconciliation of the statement of financial position over the year is as follows:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Surplus at 1 July	7.4	6.6
Amount recognised in profit or loss	0.2	(2.3)
Amount recognised in Other Comprehensive Income	(0.5)	(6.8)
Company contributions	-	9.9
Surplus at 30 June	**7.1**	**7.4**

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
1 July	(216.0)	(189.9)
Current service costs	-	(2.9)
Past service cost	-	(0.4)
Gains from curtailments	-	0.5
Contributions by employees	(0.2)	(1.0)
Interest cost	(6.6)	(7.5)
Benefits paid	8.0	5.4
Experience gains arising on the Plan's liabilities	1.0	2.9
Actuarial losses arising from changes in financial assumptions	(26.9)	(23.1)
Actuarial gains arising from changes in demographic assumptions	6.7	-
30 June	**(234.0)**	**(216.0)**

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
1 July	223.4	196.5
Interest income	6.8	8.0
Return on Plan assets excluding interest income	18.7	13.4
Contributions by employer	-	9.9
Contributions by employees	0.2	1.0
Benefits paid	(8.0)	(5.4)
30 June	**241.1**	**223.4**

The major categories and fair values of Plan assets at the end of the reporting year for each category are as follows:

	30 June 2017 £m	30 June 2016 £m
Equity instruments	85.1	71.2
Diversified growth funds	19.3	18.7
Corporate bonds	65.4	59.5
Government bonds	70.9	71.7
Cash and equivalents	0.4	2.3
Total	**241.1**	**223.4**

The majority of the Plan's equity and debt instruments have quoted prices in active markets.

The Plan includes holdings of gilts and corporate bonds, which are intended to partially hedge the financial risk from liability valuation movements associated with changes in gilt and corporate bond yields. IAS19 liability movements from changes in the discount rate will also be partially hedged by the Plan's corporate bond holding.

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

Following completion of the latest funding valuation as at 30 June 2014, Arqiva Limited has agreed to pay deficit contributions of £2.5m per annum to 31 July 2018, and then payments of £3.3m per annum to July 2020. The Group anticipates that cash contributions to the defined benefit plan for the year ending 30 June 2018 will be £5.0m.

Sensitivity Analysis

The assumptions considered to be the most significant are the discount rate adopted, inflation represented by RPI, and the longevity assumptions.

The sensitivity of the 2017 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate movement of 0.1%	RPI movement of 0.1%	Longevity assumption movement of +1 year
Increase in Plan liabilities	£5.1m	£5.2m	£7.1m

The sensitivity of the 2016 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate movement of 0.1%	RPI movement of 0.1%	Longevity assumption movement of +1 year
Increase in Plan liabilities	£4.7m	£4.8m	£5.6m

This sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension scheme are disclosed in note 30. Transactions between the Group and its associates, joint ventures and entities under common influence are disclosed below.

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

Trading transactions
During the year ended 30 June 2017 the Group entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services	
	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Associates	-	-	6.6	7.1
Joint ventures	3.3	0.8	2.2	1.1
Entities under common influence	27.4	30.2	8.1	11.3
	30.7	**31.0**	**16.9**	**19.5**

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

As at 30 June 2017, the amount receivable from associates was £0.1m (2016: £nil) and joint ventures was £0.9m (2016: £0.5m). Interest received during the year from joint ventures was £0.1m (2016: £0.1m) charged at 12% of the outstanding balance.

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

Remuneration of Directors and key management personnel

The remuneration of the Directors and key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Short-term employee benefits	3.7	5.8
Termination benefits	-	2.2
Post-employment benefits	0.2	0.2
	3.9	**8.2**

One member of the Directors and key management personnel (2016: one) is a member of the Group's defined benefit pension scheme (see note 30).

The members of the Directors and key management personnel had no material transactions with the Group during the year, other than in connection with their service agreements.

Further information in respect of the remuneration of the Company's statutory Directors, including the highest paid Director, has been provided on page 131.

Investor transactions

There are two investor companies, FICAL and MEIF II, which are related parties with the Group in accordance with IAS 24, by virtue of significant shareholding in the Group. Refer to the Directors report for further details of these investor companies.

30 June 2017	MGIF II * £m	MEIF II + £m	Macquarie Prism * £m	FICAL + £m
Shareholder loan notes	12.8	626.6	9.3	1,208.4
Shareholder loan note interest for the year	1.6	80.6	2.7	155.5
Accrued shareholder loan note interest	0.8	51.3	13.7	99.1

* A related party by virtue of common influence.
+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2017).

30 June 2016	MGIF II * £m	MEIF II + £m	Macquarie Prism * £m	FICAL + £m
Shareholder loan notes	4.7	344.8	9.3	665.2
Shareholder loan note interest for the year	1.4	70.9	2.4	136.7
Accrued shareholder loan note interest	7.3	242.5	10.6	467.4

* A related party by virtue of common influence.
+ An investor company and a related party by virtue of significant shareholding (as at 30 June 2016).

32 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

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

Directors' report for Arqiva Group Limited ('the Company')

The Directors of Arqiva Group Limited, registered company number 05254001, ('the Company') submit the following annual report and financial statements in respect of the year ended 30 June 2017.

Business review and principal activities

The Company acts as an ultimate holding company of the Arqiva Group Limited ('AGL') group ('the Group') of companies.

The Company has a loss for the financial year of £5.3m (2016: £3.9m) and net assets of £1,758.8m (2016: £1,764.1m).

Principal risks and uncertainties and key performance indicators ('KPIs')

From the perspective of the Company, the principal risks and uncertainties arising from its activities are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 49 to 52.

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The KPIs of the Group are discussed on pages 27 and 28.

Dividends and transfers to reserves

The Directors do not propose to pay a dividend (2016: nil). The loss for the year £5.3m (2016: £3.9m) was transferred to reserves.

Financial risk management

Due to the straightforward nature of the Company's operations, it is exposed to limited financial risks. The Group's financial risk management programme is detailed on page 49.

Future developments and going concern

It is the intention of the Company to continue to act as the Group's ultimate holding company.

The Company adopts the going concern basis in preparing its financial statements on the basis of the future profit, cash flows and available resource of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future.

Directors

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

Mike Parton
Mark Braithwaite
Paul Mullins (resigned 31 August 2017)
Christian Seymour
Peter Adams
Damian Walsh
Nathan Luckey
Sally Davis
Deepu Chintamaneni (alternate)
Paul Dollman (appointed 6 December 2016)
Neil King (appointed 5 April 2017)

Michael Giles is the Company Secretary.

Directors' indemnities

The Company has provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Disclosure of information to the independent auditors

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

- so far as the Directors are aware there is no relevant audit information of which the Auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

On behalf of the Board

Paul Dollman - Director
11 September 2017

Company statement of financial position

	Note	30 June 2017	30 June 2016
		£m	£m
Non-current assets			
Investments	3	1,767.0	1,767.0
Receivables	4	2.4	2.1
		1,769.4	**1,769.1**
Current assets			
Cash and cash equivalents	5	-	0.1
Total current assets		-	**0.1**
Payables	6	(10.6)	(5.1)
Net current liabilities		**(10.6)**	**(5.0)**
Net assets		**1,758.8**	**1,764.1**
Equity			
Share capital		653.9	653.9
Share premium		315.6	315.6
Retained earnings		789.3	794.6
Total equity		**1,758.8**	**1,764.1**

The accounting policies and notes on pages 130 form part of these financial statements.

The result for the financial year for the Company was a loss of £5.3m (2016: £3.9m loss).

These financial statements on pages 128 to 138 were approved by the Board of Directors on 4 September 2017 and were signed on its behalf by:

Paul Dollman - Director

Company statement of changes in equity

	Share capital* £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 July 2015	**653.9**	**315.6**	**798.5**	**1,768.0**
Loss for the financial year	-	-	(3.9)	(3.9)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(3.9)	(3.9)
Balance at 30 June 2016	**653.9**	**315.6**	**794.6**	**1,764.1**
Loss for the financial year	-	-	(5.3)	(5.3)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(5.3)	(5.3)
Balance at 30 June 2017	**653.9**	**315.6**	**789.3**	**1,758.8**

*Comprises 653,928,000 (2016: 653,928,000) authorised, issued and fully paid ordinary shares of £1 each.

Notes to the Company financial statements

1 Arqiva Group Limited accounting policies and other information

Basis of preparation
As used in these financial statements and associated notes, the term 'Company' refers to Arqiva Group Limited.

Arqiva Group Limited is a private company limited by shares incorporated in England and Wales. The registered address of the Company is Crawley Court, Winchester, Hampshire, SO21 2QA.

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The Group's financial statements (Arqiva Group Limited and its subsidiaries) are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006. As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement has not been presented.

The financial statements are prepared on a going concern basis and under the historical cost convention. Accounting policies have been applied consistently throughout.

New and revised Standards and Interpretations have been adopted in the current year, a list of which can be found in note 2 of the Group financial statements. There is no material impact on the Company. The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

EU-adopted IFRS	Relevant disclosure exemptions
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136
IAS 7 Statement of Cash Flows	All disclosure requirements.
IAS 24 Related Party Disclosures	The requirements of paragraph 17; the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member.

Accounting policies
Investments
Investments in subsidiaries and associates are shown at cost less provision for impairment.

Cash and cash equivalents
Cash includes cash at bank and in hand and bank deposits repayable on demand.

Dividends
Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders.

Share capital
Ordinary shares are classified as equity.

Other information
Employees
The Company had no employees during the year (2016: none). None of the Directors (2016: none) were remunerated by the Company. Their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is therefore not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company except where sums are paid to third parties in respect of their services. There were no such sums paid in the year (2016: none).

Audit fees
The audit fee in respect of the Company and fees payable to PricewaterhouseCoopers LLP for non-audit services were not specific to the Company and are disclosed in the notes to the Group financial statements (see note 6).

Critical accounting estimates and judgements
The application of these accounting policies did not require any critical judgements or any sources of estimation uncertainty.

2 Directors' remuneration

The aggregate of the amount paid to the Directors in respect of their services as a Director of the Group are set out below:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Aggregate remuneration	0.4	0.4
Amounts due under long term incentive plans	1.0	1.0
Total remuneration	**1.4**	**1.4**

Certain of the Directors were representatives of the Company's shareholders and their individual remuneration reflects the services they provide to the Company, its subsidiaries and a number of other entities outside of the Group. It is not possible to make an accurate apportionment of each Director's remuneration in respect of their service to the Company and the Group except where sums are paid to third parties in respect of their services, of which there were £nil (2016: £nil) in relation to the Company. Accordingly, no remuneration in respect of these Directors is recognised in the Company.

There are no directors to whom retirement benefits accrued in respect of qualifying services (2016: none).

Highest paid director

Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Aggregate remuneration	1.3	1.3
Total remuneration	**1.3**	**1.3**

3 Investments

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Digital Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Digital Radio Limited	United Kingdom	Holding company	30-Jun	100%
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100%
Aerial UK Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Asia Limited	Hong Kong	Satellite transmission services	31-Dec	100%
Arqiva Broadcast Finance Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Broadcast Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Broadcast Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100%
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Financing No. 1 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 2 Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Financing No. 3 Plc	United Kingdom	Holding company	30-Jun	99.99% (held directly)
Arqiva Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Group Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Intermediate Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Group Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100%
Arqiva International Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Limited	Ireland	Transmission services	30-Jun	100%
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Pension Trust Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva PP Financing Plc	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Pte Limited	Singapore	Satellite transmission	30-Jun	100%
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva SAS	France	Satellite transmission	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Arqiva Senior Finance Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Services Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva Smart Financing Limited	United Kingdom	Financing vehicle	30-Jun	100%
Arqiva Smart Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Smart Metering Limited	United Kingdom	Smart metering communications	30-Jun	100%
Arqiva Smart Parent Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100%
Arqiva Swing Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecoms Investment Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva UK Broadcast Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Arqiva WiFi Limited	United Kingdom	WiFi services	30-Jun	100% (disposed of 1 November 2016, see note 29)
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%
Capablue Limited	United Kingdom	Transmission services	30-Jun	100%
Cast Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV (Scotland) Limited	United Kingdom	Dormant company	30-Jun	100%
Connect TV Limited	United Kingdom	Transmission services	30-Jun	100%
Digital One Limited	United Kingdom	Transmission services	30-Jun	100%
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100%
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100%
Now Digital (East Midlands) Limited	United Kingdom	Transmission services	30-Jun	52.50%
Now Digital (Oxford) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital (Southern) Limited	United Kingdom	Transmission services	30-Jun	100%
Now Digital Limited	United Kingdom	Transmission services	30-Jun	100%
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Primrose No.1 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100%
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Transmission services	30-Jun	66.67%
Spectrum Interactive (UK) Limited	United Kingdom	Dormant company	30-Jun	100%
Spectrum Interactive GmbH	Germany	Dormant company	30-Jun	100%
Spectrum Interactive Limited	United Kingdom	Holding company	30-Jun	100%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Registered office
Arqiva Inc.	c/o The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE19801, United States of America.
Arqiva Pte Limited	8 Marina Boulevard #05-02, Marina Bay Financial Centre, 018981, Singapore.
Arqiva Asia Limited	1401 Hutchison House, 10 Harcourt Road, Hong Kong.
Arqiva SAS	Tour Vendome 204, Rond Point du Pont De Sevres, 92100, Boulogne, France.
Arqiva SRL	c/o Studio Bandini & Associati, Via Calabria 32, Rome, Italy.
Arqiva (Ireland) Limited	Unit 9 Willborough, Clonshaugh Industrial Estate, Dublin 17, Co. Dublin, Ireland.
Arqiva (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.
Primrose No. 1 Limited	8th Floor, The Met Building, 22 Percy Street, London, W1T 2BU, England.

In addition to the subsidiary undertakings the Company indirectly holds the following interests in associates and joint ventures:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Joint ventures					
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA	31-Dec	40.0%
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	Landmark House, Hammersmith Bridge Road, London, W6 9EJ	30-Jun	22.5%
YouView TV Limited	United Kingdom	Open source IPTV development	10 Lower Thames Street, Third Floor, London, EC3R 6YT	31-Mar	14.3%
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%
MXR Holdings Limited	United Kingdom	Transmission services	30 Leicester Square, London, WC2H 7LA	31-Mar	12.0%

The following companies within the Group will adopt the Department for Business, Energy and Industrial Strategy (BEIS) audit exemption for the year ended 30 June 2017. As the ultimate parent company, AGL has guaranteed the debts and liabilities held within these companies as required under section 479A of the Companies Act 2006.

Company	Company registration number
Arqiva Group Intermediate Limited	08126989
Arqiva Group Holdings Limited	08221064
Arqiva UK Broadcast Holdings Limited	05254048
Arqiva Telecoms Investment Limited	03696564
Arqiva Scotland Limited	SC365509
Arqiva Aerial Sites Limited	01460772
ABHL Digital Limited	03538787
ABHL Digital Radio Limited	03573732
Digital One Limited	03537636
Now Digital Limited	03546921
Now Digital (Southern) Limited	03654065
Connect TV Limited	07403839
Arqiva Financing No 2 Limited	06137899
Arqiva International Holdings Limited	08753024
Arqiva No 2 Limited	03922958
Arqiva No 3 Limited	02973983
Arqiva Senior Finance Limited	08127157
Arqiva Smart Holdings Limited	08723422
Arqiva Smart Parent Limited	08723419
Capablue Limited	06962172
NWP Spectrum Holdings Limited	04412123
Selective Media Limited	06579687
Spectrum Interactive Limited	04440500

The following dormant companies within the Group will take the exemption from preparing and filing financial statements for the year ended 30 June 2017 (by virtue of s394A and s448A of Companies Act 2006 respectively). As the ultimate parent company, AGL has guaranteed the various debts and liabilities held within these companies as required under section 394C of the Companies Act 2006.

Company	Company registration number
ABHL Multiplex Limited	05138188
Arqiva Mobile TV Limited	04107732
Arqiva Public Safety Limited	03341257
Aerial UK Limited	02333949
Arqiva Broadcast Limited	03844675
Arqiva Communications Limited	02928653
Arqiva Digital Limited	03120642
Arqiva Finance Limited	03347387
Arqiva Media Limited	02826184
Arqiva Mobile Broadcast Limited	02816853
Arqiva Mobile Limited	03246721
Arqiva No 4 Limited	02903056
Arqiva No 10 Limited	05393073
Arqiva No 11 Limited	05393079
Arqiva Satellite Limited	02192952
Now Digital (Oxford) Limited	06314242
Arqiva Swing Limited	07140424
Arqiva Telecommunications Asset Development Company Limited	03956595
Arqiva Transmission Limited	03598122
Arqiva Wireless Limited	03055844
Cast Communications Limited	05097626
Connect TV (Scotland) Limited	SC403631
Inmedia Communications (Holdings) Limited	02755211
Inmedia Communications Group Limited	05097612
Inmedia Communications Limited	05097623
JFMG Limited	03297317
Macropolitan Limited	05401565
Primrose No.1 Limited	07046887
Scanners (Europe) Limited	02833712
Scanners Television Outside Broadcasts Limited	03391685
Spectrum Interactive (UK) Limited	03500162

The Company held the following investments in subsidiaries:

	Total
	£m
Cost	
At 1 July 2016 and 30 June 2017	1,767.0
Provision for impairment	
At 1 July 2016 and 30 June 2017	-
Carrying value	
At 30 June 2016 and 30 June 2017	**1,767.0**

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

4 Receivables

Amounts receivable from other Group entities are unsecured and interest-free.

5 Cash and cash equivalents

	30 June 2017	30 June 2016
	£m	£m
Cash at bank	-	0.1
Total	**-**	**0.1**

6 Payables

	30 June 2017	30 June 2016
	£m	£m
Amounts payable to other Group entities	1.4	1.2
Accruals	9.2	3.9
Total	**10.6**	**5.1**

The Company has no payables falling due after more than one year.

7 Related parties

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity which is wholly-owned by another Group entity.

8 Controlling parties

The Company is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities.

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