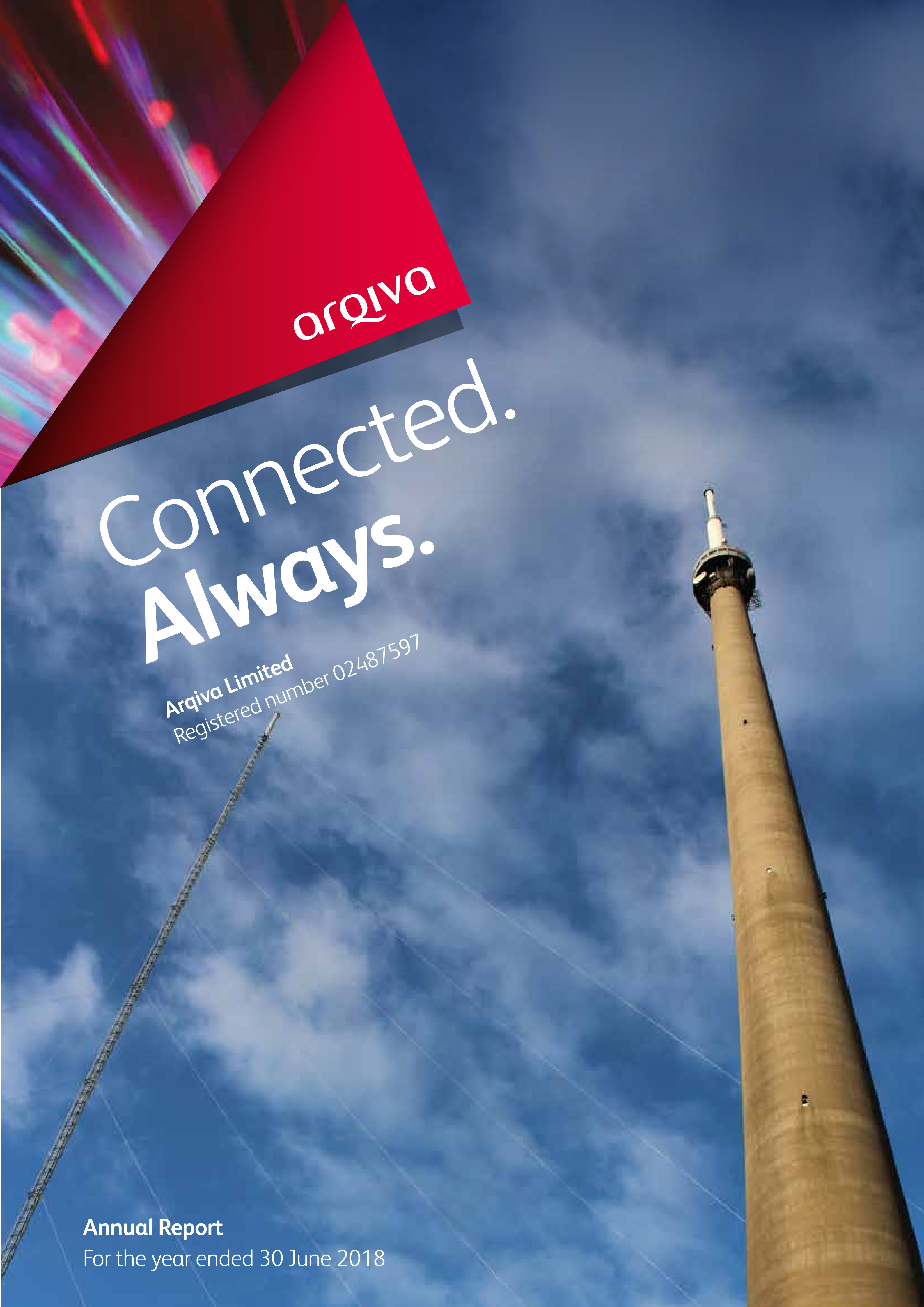


arqiva

Connected. Always.

Arqiva Limited
Registered number 02487597

Annual Report
For the year ended 30 June 2018

Corporate information

As at the date of this report (22 October 2018):

Company Directors:

Mike Parton (Chairman)

Simon Beresford-Wylie
(Chief Executive Officer)

Jane Aikman (Chief Financial Officer)
(appointed 23 July 2018)

Peter Adams

Mark Braithwaite

Deepu Chintamaneni

Frank Dangeard
(appointed 10th September 2018)

Mike Darcey
(appointed 10th September 2018)

Sally Davis

Paul Dollman
(resigned 10th September 2018)

Paul Donovan
(appointed 10th September 2018)

Martin Healey
(appointed 23 April 2018)

Neil King

Nathan Luckey

Paul Mullins
(resigned 17 September 2017)

Christian Seymour

Liliana Solomon
(resigned 30 June 2018)

Damian Walsh
(resigned 10th September 2018)

Group website:
www.arqiva.com

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

Company secretary:

Michael Giles
(resigned 1 January 2018)

Jeremy Mavor
(appointed 1 January 2018)

Registered Ofiice
Crawley Court
Winchester
Hampshire
SO21 2QA

Company Registration Number
02487597

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 Company 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 Company, 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 Company 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 Company operates, which may impact the ability of the Company 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 Company operates;
- the ability of the Company 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 Company to develop, expand and maintain its broadcast and telecommunications infrastructure;
- the ability of the Company to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;
- the Company’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 (‘AGL’) and its subsidiaries (i.e. the ultimate parent group) and business units as the context may require. Arqiva Limited (‘the Company’) is the largest trading entity within the Group therefore any references to the Group are considered relevant for the Company. Where figures relating to financial position and performance are stated, they relate specifically to Arqiva Limited (‘AL’) (i.e. this Company).

Arqiva Smart Metering Limited (‘ASML’) is the legal entity that won the contract for smart energy metering and sits within the ultimate parent group. ASML has contracted with Arqiva Limited (i.e. the Company) for the provision of the core network, sites and spectrum that will support the delivery of this contact. The procurement and financing of the communications hubs (which allow information to be sent to and from the network) will be performed by ASML. Accordingly, the Company is expected to benefit from the substantial majority, but not all, of the smart metering contract revenue through charges levied to ASML.

A reference to a year expressed as 2017/18 or 2018 is to the financial year ended 30 June 2018. 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 2018. References to the ‘prior year’ and ‘last year’ are in respect of the financial year ended 30 June 2017.


arqiva

Contents

Arqiva in 2018 01
Highlights 03

Strategic report 05
Business overview 06
Business model and business units 08
Strategic overview 10
Business update 12
Financial review 16
Key performance indicators 19
Corporate responsibility 20
Modern Slavery act: Slavery and Human Trafficking Statement 24

Governance 26
Board of Directors and Senior Executive Management 28
Principal risks and uncertainties 32
Directors' report 36
Statement of Directors' responsibilities 40

Group financial statements 42
Independent Auditors' report to the members of Arqiva Limited 43
Income statement 46
Statement of comprehensive income 47
Statement of financial position 48
Statement of changes in equity 49
Notes to the financial statements 50

Cover Image: The iconic Emley Moor tower. Alongside, the temporary mast, erected during 2018, required to ensure completion of essential works on the 700MHz clearance programme.

Arqiva in 2018

Arqiva is the leading independent telecom towers operator and sole terrestrial broadcast network provider in the United Kingdom, holding significant investments in essential communications infrastructure. This non-replicable asset base across Arqiva's business units, as described below, 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

TV and radio broadcast transmission sites, including sites rolled out under our local DAB[3] programme completed in the year

700MHz clearance activities completed on **210** sites

Smart networks to cover up to 12 million UK premises, with over 300,000 smart meters sold to date

Access to c. 229,000 municipal street furniture sites for the provision of Small Cells in 14 London Boroughs

Market leader for commercial DTT spectrum owning two of the three main national commercial multiplexes[2], and a further two HD capable multiplexes, giving videostream capacity on our main multiplexes of 31

c.8,000

active licensed macro cellular sites[4], with c.1,800 4G upgrades completed during the year

Leading position providing In-Building Solutions and Distributed Antenna Systems with 46 systems installed in prime locations including Canary Wharf, Selfridges and Bluewater

c.80 satellite dishes accessing...
...40+ satellites
from **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 Main national commercial multiplexes refers to those considered to be most established.
3 Refers to Digital audio broadcasting
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 steps in the execution of Arqiva's strategy include:

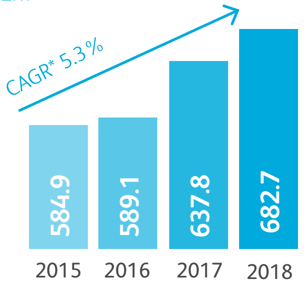
- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base;
- Expanding HD and SD channel choice, thereby maximising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz clearance programme to meet target completion date in 2020;
- Continuing to develop the digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNO's;
- Growing the value of the M2M business;
- Building on Arqiva's existing urban macro site portfolio and establishing Arqiva as the predominant UK provider of urban wireless telecom infrastructure by leveraging the Group's street furniture and exclusive concessions in prime locations;
- Continuing to improve the operational efficiency and service excellence within the Satellite and Media business unit, and taking advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market, including 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility, through expansion and development of media management service and distribution capabilities;
- Growing the Satellite data communications business in UK utilities and international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Maintaining the group wide focus on delivering cost transformation, and driving efficiencies and operational excellence across the organisation
- Maintaining high levels of service enjoyed by our customers;
- Maintaining the robustness of Arqiva's capital structure, with a long term debt platform which has an average debt maturity profile of circa 5 years, and investment grade credit rating over our senior debt; and
- Investing in employees and challenging the workplace culture to maintain high levels of employee engagement in a truly great place to work.

See also
Strategic Overview:
Page 10

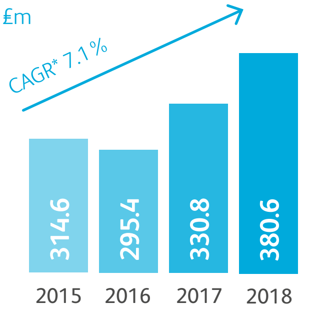
Highlights

Another strong year for Arqiva with significant growth in revenue, operating profit and cash generation continuing a trend of successive years of growth with particularly strong performance in the delivery of our major programmes.

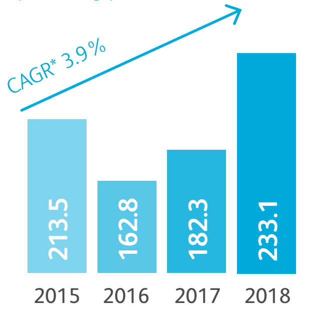
Revenue
£m



EBITDA[1]
£m



Operating profit £m



*Compound Annual Growth Rate ('CAGR')

Highlights during the year include:

- Revenue growth for the year of 7.0%;
- Increased activity in the delivery of the 700MHz Programme in accordance with key programme milestones, with work completed on 210 sites thus far;
- Completion of the DAB roll-out
- Completion of c.8,300 4G site upgrades for MNOs[2] since roll-out began in 2014 including a considerable acceleration during the year in order to assist the MNOs in meeting coverage requirements;
- Continuing to deliver the smart energy metering contracts, finishing the year on track and increasing recurring revenues for the Group
- 15.1% increase in earnings (i.e. EBITDA)[1];
- Cost reductions realised through the Group's FutureFit programme.

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 17 for where this measure is fully reconciled back to operating profit as presented in the income statement

2 Refers to Mobile Network Operators ('MNOs')

Strategic report

Business review
Business overview 06
Business model and business units 08
Strategic overview 10
Business update 12

Performance review
Financial review 16
Key performance indicators 19

Business sustainability
Corporate responsibility 20
Modern Slavery act: Slavery and Human Trafficking Statement 24

Business overview

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

Arqiva is one of the UK's leading communications infrastructure and media service providers, with a strong market position, diverse revenue streams and long-life assets.

The Group is an independent provider of telecom towers, with circa 8,000 active licensed macro cellular sites, and the only national provider of terrestrial television and radio broadcasting facilities. Arqiva has invested significantly allowing it to develop its communications infrastructure and technology as markets evolve. Arqiva is independent and reliable.

Arqiva earns network access and transmission service revenues from its customers, as well as fees for engineering services and new projects. Arqiva's services tend to be mission-critical for its customers, as well as providing the network coverage necessary for the fulfilment of the universal service obligations ('USOs') for Terrestrial Broadcast and Telecoms set out in their operating licences from the UK government.

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; therefore, while the nature of Britain's exit from the European Union is still uncertain, we have minimal exposure to international markets and foreign exchange.

The Group has invested significant sums into its infrastructure with £1.8bn of property, plant and equipment at 30 June 2018. Arqiva is financed through a mixture of equity and a long-term debt platform, with an average debt maturity profile of circa 5 years. The Group's senior debt has an investment grade (BBB) rating from Standard & Poor's and Fitch.

A pioneer in an always on, always connected world.

Attractive UK communications infrastructure market

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

A market leader

The following key competitive positions make Arqiva the market leader:

- The largest independent provider of telecom towers with c.8,000 active licensed macro cellular sites;
- Sole provider of terrestrial television network access (Freeview);
- Owner of 2 of the 3 main national commercial multiplexes; 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[1] 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 across 14 London Boroughs.

Significant investment would be required to replicate the infrastructure, including UK planning permissions to erect new masts. Arqiva also has long established relationships with its customers spanning more than 80 years.

1 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, 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 investing in its considerable site portfolio to not just maintain its reliability, but also to maximise its potential. Accordingly Arqiva has a wide range of service capabilities including:

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

Arqiva's business is aligned into the following customer-facing business units, supported by the Group's corporate functions:

Terrestrial Broadcast

Terrestrial Broadcast owns the infrastructure for the terrestrial TV and radio transmission sites, 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 spectrum utilisation, and for provision of engineering services. The business unit holds a regulated position as the sole provider of network access and managed transmission services for terrestrial television broadcasting. 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, the Group utilises its network of circa 1,150 TV sites 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. In addition, the business unit operates more than 1,500 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. Broadcasting contributes significant and stable cash flows to the Group with a long-term contracted, substantially RPI-linked, order book of £3.5bn which includes major contracts running as far as 2035.

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 from the end of 2017.

Arqiva has a leading position in providing neutral host In-Building solutions and DAS, with 46 systems installed in locations including Canary Wharf, Selfridges and Bluewater. Arqiva also has access to municipal street furniture sites for the provision of Small Cells and commercial wireless networks across 14 London Boroughs and in four UK towns and cities.

Although installation services from 4G are starting to decline with the rollout, the core telecoms towers business and M2M network continue to be areas of growth for the Group, with an order book of £1.3bn 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). 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 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.

See also
Strategic Overview:
Page 10

See also
Key Performance Indicators:
Page 19

1 In reference to the number of transponders accessed through up-linking services.
2 Refers to 'Very Small Aperture Terminal' ('VSAT')

Strategic overview

Vision

Arqiva's vision is 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.

Strategy

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**, building the Group's knowledge and growing 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:

- Reinforcing DTT's long-term position as the most popular TV platform in the UK by continuing to support the development of the hybrid DTT/IPTV platform, expanding the range of catch-up services available as well as serving the needs of a pay-lite audience base;
- Expanding HD and SD channel choice, thereby maximising DTT multiplex utilisation, and working with the TV manufacturing market through Digital UK and Freeview to ensure that the hybrid DTT/IP service remain the default technology;
- Managing the seamless execution of the 700MHz clearance programme to meet target completion date in 2020;
- Continuing to develop the digital DAB radio as an attractive medium for listeners and planning for the expected eventual phase-out of analogue radio, rolling out DAB to fill the remaining coverage gaps, and positioning DAB as the default replacement network for analogue services;
- Strengthening Arqiva's position as the UK's leading independent telecoms sites provider by increasing the Group's site portfolio and maintaining long term contracts with MNOs;
- Growing the value of the M2M business;
- Building on Arqiva's existing urban macro site portfolio and establishing Arqiva as the predominant UK provider of urban wireless telecom infrastructure by leveraging the Group's street furniture and exclusive concessions in prime locations;
- Continuing to improve the operational efficiency and service excellence within the Satellite and Media business unit, and taking advantage of international growth opportunities served by its UK infrastructure and virtualised capabilities;
- Helping broadcasters and rightsholders to navigate and exploit the trends underlying the video market, including 'hybrid' consumer behaviour, increasing operational complexity and the need for operational and commercial flexibility, through expansion and development of media management service and distribution capabilities;
- Growing the Satellite data communications business in UK utilities and international energy, aeronautical and maritime sectors through Arqiva's market leading UK teleport and managed service capability;
- Maintaining the group wide focus on delivering cost transformation, and driving efficiencies and operational excellence across the organisation
- Maintaining high levels of service enjoyed by our customers;
- Maintaining the robustness of Arqiva's capital structure with a long term debt platform which has an average debt maturity of circa 5 years, and 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.

2018 Progress

Grow a financially successful business

- 2018 has seen a continued upward trend in strong financial performance with revenue, profit and cash generation all up

Simplify and standardise our technology, platforms and processes

- Improved margins from cost savings and operating efficiencies from the FutureFit programme becoming embedded into the cost base of the business

Help Arqiva's customers prosper and succeed

- Overall improvement in customer engagement scores
- Big successes in service reliability with instances of over 1000 days without avoidable outage
- Strong programme delivery of 700MHz and Installation services

Be a great place to work by continuing to invest in our people

- Increased employee engagement scores with now only 1 disengaged employee for 9 engaged
- Re-obtained our Investors in People Gold award

Business update

Terrestrial Broadcast Developments

Freeview investment to transition to a hybrid platform

The UK's top broadcast companies have signed a new five-year agreement to accelerate Freeview's transition to a fully hybrid platform, providing the best in free-to-view live and on-demand TV. The collaboration between the BBC, ITV, Channel 4 and Arqiva – the four shareholders of Digital UK – will see an investment of £125 million over the next five years to build on the success of Freeview Play, the UK market leader in free-to-view connected TV.

Alongside the ongoing support for the Freeview platform, new developments will include a mobile app and improvements in content discoverability and navigation. The agreement to invest in developing Freeview as a fully hybrid platform reflects the complementary strength of linear TV and growth of on-demand viewing.

Since launch in 2015, more than three-and-a-half million Freeview Play products have been sold in the UK from brands including Panasonic, LG, Sony, and Toshiba, accounting for 60% of smart TV sales. The service gives UK viewers a seamless combination of live and on-demand content all in one place with no monthly subscription.

Digital Platforms channel utilisation

As at 30 June 2018, the Group had capacity of 31 videostreams on its main multiplexes, all of which were utilised. Ongoing high levels of Multiplex utilisation demonstrates the on-going attractiveness to broadcasters of the Freeview DTT platform.

700 MHz Clearance and DTT spectrum

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

The Group is contracted with the major broadcasters and Ofcom for the spectrum planning, network design, programme management, infrastructure changes, service continuity, asset replacement and retuning of broadcast transmitters to enable broadcasters to move into a lower frequency. The programme delivery remains on track and the Group earns revenues and cashflows as the programme is completed. All Clearance events scheduled to the end of August 2018 have been completed successfully in line with the programme requirements and the programme rollout is planned to continue to May 2020.

Digital radio (DAB) rollout

Arqiva's long term strategy of supporting DAB digital radio take-up continues to show positive results. The UK's official radio listening data, produced by RAJAR, confirms that more than six in ten consumers now have a DAB digital radio. RAJAR figures show that digital listening (across DAB, DTT and IP) now exceeds 50% of all listening. As a result, the UK Government is evaluating its approach towards a review around the future of radio and a potential process for a switchover from FM to DAB at some future date.

Arqiva's DAB multiplexes show high utilisation levels driven by strong market demand. This has been supported by the launch of an additional channel, Hits Radio from Bauer Media, which has launched across all of Arqiva's Local multiplexes to deliver a network providing quasi-national coverage.

Telecoms & M2M developments

Arqiva helps MNOs to meet UK coverage obligations

In March 2018, Ofcom publicly announced that all four MNOs had met all of the coverage obligations they were required to meet by 31 December 2017. Arqiva played a key role in helping the UK MNOs meet these obligations and this has been recognised from the high levels of customer satisfaction received. For the past four years Arqiva undertook large volumes of antenna and feeder upgrade projects for the MNOs as part of Installation Service activities to help them achieve their coverage requirements. The Group had completed 8,245 4G equipment upgrades across Arqiva sites up to 30 June 2018 since rollout began in 2014. With coverage obligations now met and rollout nearing completion, Installation Services activity, which is lower margin compared to site sharing, is reducing in line with rollout plans.

Arqiva will continue to play a key role as new spectrum bands are deployed to meet capacity requirements which will include the rollout of 5G.

Small cells

The Group continues to develop its outdoor small cells proposition with Arqiva hosting MNO owned small cells on fully connected street infrastructure to provide street level network capacity in dense urban locations. The Group has received commercial contracts from two MNOs for localised small cells rollout in some London boroughs. In addition trials are expected in the near term with the other two MNOs.

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

In July 2017, Arqiva and Samsung Electronics launched the first field trial of 5G FWA (Fixed Wireless Access) 28GHz technology in the UK and Europe. Furthermore, the Group also acquired an additional 28GHz spectrum licence from intelligent managed services provider, Luminet. The licence for 2x 112MHz covers Central and Greater London and bolsters Arqiva’s existing nationwide spectrum band ownership. The 28GHz spectrum band is the standard band used for 5G FWA connectivity trials in the USA, Japan and South Korea. During the financial year the Group has continued to engage with stakeholders to evaluate opportunities.

Smart energy metering rollout

The Group’s smart metering communication network in the North of England and Scotland is live and successfully transmitting and receiving messages between the energy companies, and consumer electricity and gas meters. Early-life support to DCC users with their meter installation pilots continues and these are now progressing into initial customer roll-outs.

Further rollout of the Arqiva network is on track and currently covers 97.8% of premises in line with requirements.

Smart water metering rollout – Thames Water

Arqiva has a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable the collection, management and transfer of metering data. The service is reliably delivering 6 million meter readings per day with over 307,000 meters installed as at 30 June 2018. Arqiva is close to having full network coverage deployed across the entire Thames Water London region, completion being targeted by the end of 2018.

Smart water metering trial contracts – Anglian Water

Arqiva has contracts with Anglian Water for the delivery and monitoring of smart water metering fixed network trials for the deployment and operation of new water meters in two regions. These trials are part of Anglian Water’s plans for a long-term smart metering programme. The Group has successfully created a stable platform to generate data for Anglian’s customers and through this they are realising the benefits of both improved leakage detection and consumer engagement. As at 30th June 2018, 17,200 out of the anticipated full complement of 19,500 meters had been installed.

Satellite and Media developments

UK Direct To Home (DTH) HD channel growth

In the UK DTH product line, Arqiva continued to see HD channel growth during the financial year. In the financial year to 30 June 2018 Arqiva launched four new HD channels. This further reinforces the Group’s position as a leading provider of UKDTH services.

Virtualisation and OTT

Our Satellite and Media customers continue to transition to IP networks and infrastructure to deliver video growth. Arqiva has therefore developed an innovative software defined networking that enables us to deliver highly flexible networks to meet our internal and external customer demands. Our solution delivers video to and from traditional and new IP formats in an automated and dynamic way that also provides scalable opportunities, allowing Arqiva to meet new customer demand with a better experience, underpinned by a more efficient operating model and cost base.

During the financial year, the Group secured its first virtualised services contract with a US broadcaster who has launched a new consumer OTT service. To provide core managed teleport and fibre services, along with a highly scalable IP streaming service for hundreds of live sports events each year. With our new virtualised capabilities, we are able to provide a flexible cost model along with a highly automated delivery

Furthermore, Arqiva also secured two new customers on its new cloud based service. These new services will be delivered as part of an overall ‘hybrid’ solution that include opportunities, allowing core services from existing portfolios. The use of public cloud services allows Arqiva to provide high levels of service automation and commercial flexibility.

Business update

Other business developments

‘FutureFit’

The Group’s company-wide transformation programme, ‘FutureFit’, continues to progress and deliver savings. Through this transformation programme, Arqiva continues to streamline and standardise its processes, modernise IT systems and achieve significant cost efficiencies and savings. The programme covers:

- The streamlining of operational end-to-end processes across the business enabled by a transformation of IT systems 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. The Group is reviewing all areas of 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.

Great progress has been made to advance these initiatives and deliver significant savings. ‘FutureFit’ has contributed to EBITDA margin increase from 48.5% in the year ending 30 June 2016 to 53.8% in the year ending 30 June 2018 with further savings targeted for future years. Key developments to date include the elimination of excess satellite transponder capacity; a reduction in leased line costs; property related cost savings and cost efficiencies in a number of overhead costs.

Change in Chief Financial Officer (CFO)

In July 2018, Jane Aikman joined Arqiva as its new CFO, replacing Liliana Solomon. Jane brings extensive experience having held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies. Most recently, Jane was CFO of KCOM Group, a listed communications services and IT solutions provider. Prior to KCOM Jane was CFO and Chief Operating Officer of Phoenix IT Group, a provider of Business Continuity, IT infrastructure managed services and Partner Services. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. Jane also currently serves as a non-executive director on the board of Morgan Advanced Materials, a UK PLC.

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

Financial review

Headline financials

Revenue	Operating profit	Profit before tax
↑ 7.0% to **£682.7m**	↑ 27.9% to **£233.1m**	↑ profit increased by 34.3% to **£363.5m** (profit includes non-cash charges (net) of £139.5m (2017: £121.8m) – see page 18)

Financial performance

For the year ended 30 June 2018, revenue for the Company was £682.7m, an increase of 7.0% from £637.8m in the prior year.

This continues a trend of reported revenue growth with a compound annual growth rate of 5.3%

Within Terrestrial Broadcast, revenues on contracts has increased through the year, resulting from the current phase of the DAB rollout that has completed in the year and the increased transmission activity thereon. RPI linked increases on broadcast contracts have delivered further growth. The 700MHz Clearance programme has seen a significant increase in the year with activity on the programme at its peak with 210 sites completed. Activity on this project is expected to remain at elevated levels through the next financial year.

Telecoms & M2M revenues increased resulting primarily from growth across the Group's core telecoms towers business driven by increased site numbers under the Group's control and associated activities. Whilst activities from Installation Services to assist MNOs in meeting coverage requirements remained high for most of FY18, volumes have begun decreasing and are expected to continue to decrease in to the next financial year in line with 4G rollout. Revenue from the M2M business has continued to increase as a result of further change requests negotiated in the year. This has however been partially offset by a reduction in revenue from meter sales in relation to its smart metering contract with Thames Water.

Satellite and Media is operating in a challenging market with revenue reductions in 2018 which are expected to continue in to 2019. The decrease was driven by the continuing impact of exiting low margin contracts, pricing pressure and rationalisation of services. The decrease year on year has however been partially offset by the rollout of new HD channels within the UK DTH business.

Gross profit was £464.0m, representing an 14.9% increase from £403.8m in the prior year as a result of strong revenue growth and improvements in the efficiency of service delivery.

Other operating expenses before exceptional items were £84.1m, up 14.9% from £73.2 m in the prior year. The increase is due to a shift in the nature of activities as major programmes progress, which has reduced internal labour costs and increased third party expense, as well as additional one off consultancy costs incurred in the year.

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. A reconciliation of EBITDA to operating profit is provided on below.

EBITDA for the Company was £380.6m, representing a 15.1% increase from £330.8m in the prior year, explained by the increase in gross profit resulting from the shift in sales mix as well as cost saving initiatives from the FutureFit programme and operating efficiencies becoming embedded into the cost base of the business. This performance reflects another year of strong upward trend in EBITDA growth with an annualised growth rate over the past 4 years 6.5%.

Depreciation (2018: £123.8m; 2017: £103.6m) and amortisation (2018: £16.4m; 2017: £12.0m) were collectively 21.3% higher year on year. This was due to an increase in the underlying tangible asset base of the Company (particularly in connection with Smart Metering contracts and the 700 MHz Clearance programme) 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 IT transformation programme respectively).

Exceptional items charged to operating profit were £9.3m, down from £28.8m in 2017. These costs relate predominantly to reorganisation costs as the Group executes its FutureFit operational efficiency programme. The decrease is due to one off costs incurred in 2017 related to compensation payments for changes to employee terms and conditions.

Operating profit for the year was £233.1m, an increase of 27.9% from £182.3m in the prior year. The increase was due to the additional EBITDA generated, partially offset by higher exceptional charges and higher depreciation and amortisation charges. A reconciliation between operating profit and EBITDA is presented below:

Reconciliation between operating profit and EBITDA	30 June 2018 £m	30 June 2017 £m
Operating profit	233.1	182.3
Exceptional items charged to operating profit	9.3	28.8
Depreciation	123.8	103.6
Amortisation	16.4	12.0
Impairment	-	4.4
Other income	(2.0)	(0.3)
EBITDA	380.6	330.8

Financial review

Finance income (net of finance costs) were £126.1m, an increase of 42.6% from £88.4m in the prior year. The increase was primarily due to the compounding effect of interest on outstanding intragroup loans.

The Company reported a gain of £4.3m in the year. This relates to the profit on disposal of a directly held investment in relation to the sale of the Arts Alliance Media Investment Limited joint venture.

Profit before tax was £363.5m, up from a profit of £270.7m in the prior year. The profit before tax is reported after non-cash charges of £139.5m (2017: £121.8m) as shown below:

Reconciliation between profit before tax and profit before tax and non-cash charges/(gains)	Year ended **30 June 2018** £m	Year ended **30 June 2017** £m
Profit before tax	**363.5**	**270.7**
Depreciation	123.8	103.6
Amortisation	16.4	12.0
Impairment	-	4.4
Other non-cash financing costs[2]	0.7	1.8
Total non-cash charges	**140.9**	**121.8**
Adjusted profit before tax and non-cash charges	504.4	392.5

Financial position

Net assets were £1,936.6m, representing an increase of 23.2% from £1,571.6m in the prior year. This increase principally arises from increased amounts receivable from other group entities.

During the year, the Company recognised a deferred tax asset of £47.3m as a result of Finance (No.2) Act 2017 being substantively enacted in the year. The changes in the Finance Act result in the Group expecting to utilise its deferred tax assets in a foreseeable time period and therefore have been recognised on the statement of financial position.

Going concern

The Company meets its day-to-day working capital and financing requirements through the net cash generated from its operations. The Company 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 Company 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 Company 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 unwinding of the discount on provisions and imputed interest.

Key performance indicators

In addition to the financial measures set out in the financial review, Arqiva uses 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).

See page 10 for further details on our strategic priorities

Financial success and driving increasing returns…

Our customers…

Delivery on our customer promises

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

- The Smart Metering M2M contract, which went live in late 2016. Various improvements in the capability of the network and communications hubs continue to be made, including development of the Dual Band Communications Hub and network coverage has now reached c. 98% in line with requirements;
- 700MHz Clearance. As at 30 June 2018, work has been completed on 29 Main Station and 181 Relay sites. Main Station groundworks have commenced on 43 sites, 28 of which have completed Clearance events and Relay groundworks have been completed at 144 sites.
- The programme to increase UK DAB network coverage has been completed and all new services are now live.

Network availability

	Own TV Multiplex Availability	Combined Network Availability
2018	99.99%	99.99%
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
2018	Gold
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 - The regaining of the Gold award reflects our growing employee engagement. To achieve this Arqiva has demonstrated its commitment to our values, improved trust and visibility of senior leaders, clearer focus on how individual and team objectives align with business goals, focus on systems and process improvements.

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.

Arqiva 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.

Arqiva has four focus areas to ensure that it acts responsibly, ethically and safely in everything that we do.

1. Corporate focus – together we are stronger
2. Community focus – building community
3. Employee focus – supporting personal contribution
4. Business focus – being a responsible employer

Environment

The Company 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. Arqiva 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 Arqiva 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 and 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

Arqiva 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 in relation to is Information Security Management System for all platforms and services (end to end) for its key UK and international locations. This allows Arqiva to compete for new business which requires ISO27001 accreditation and it can confidently demonstrate its security-conscious culture and compliance with this internationally recognised standard. Through independent review and accreditation, supported by internal monthly audits, Arqiva can confidently demonstrate its commitment to security and its adoption of secure working practices.

Additionally, Arqiva has been recertified for the Cyber Security Essentials accreditation. This is a government backed, industry supported scheme to help organisations guard against the most common cyber threats and demonstrate their commitment to cyber security. Arqiva has held this certification since November 2016 and recertifies annually. 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 Company during the year was 2,071 (2017: 2,060). Arqiva recognises the significant contribution of its employees and makes every effort to create a rewarding and engaging working environment.

The Company'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 Company 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 Company'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 Company'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.

Arqiva wants all 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 AGL Group and then multiplies this by a personal performance rating. The Group must achieve a minimum EBITDA 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 2018 financial year was made in September 2018. 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	-	6 / 100 %
Group Employees	580 / 28 %	1,491 / 72 %

Corporate responsibility

Gender Pay Gap

In March, Arqiva published our first gender pay gap report including details on why we have a pay gap and the actions we are taking. The full report is available on the Group website at www.arqiva.com.

Charitable donations, community and social activities

During the year, Arqiva made a number of charitable donations including to local charities and those that matter to Arqiva's people. Contributions were made as part of a matched funding scheme to match employee fundraising for charitable events in which they participate. Arqiva also supports the Give as you Earn scheme, working in partnership with the Charities Aid Foundation which manages the scheme. Arqiva's 'Connected Communities' programme also supports colleagues to take part in volunteering activities for local charities.

Arqiva is connected with universities and schools to invest in the future of Science, Technology, Engineering and Maths (STEM). The Group has active intern, apprentice and graduate schemes and STEM ambassadors who support local schools and encourage visits from schools to Arqiva's main sites to stimulate their interest in STEM subjects as a key step to their future career.

Arqiva supports both the Armed Forces Covenant and Walking with the Wounded. The Armed Forces Covenant assists getting former armed forces personnel in getting back in to the civilian workforce through attendance at military careers fairs and training days. The Group supports Walking with the Wounded through fundraising and operational support for the work they do.

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 24 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 Company 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 and NI paid by both Arqiva and employees, totalled £76.6m 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 22 October 2018 and signed on its behalf by:

Director
22 October 2018

Modern Slavery Act: 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.

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, and Arqiva Smart Metering Limited 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) and Arqiva Smart Metering Limited each have an annual turnover of in excess of £36.0 million.

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 an exceptionally diverse range of services and goods that are required by the business and sourced by our Supply Chain team including:

- Transmission – 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 implementing and enforcing 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.

Our Procurement 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, all directors and members of the Management Board have been briefed on the subject and we continue to assess training needs for all relevant members of staff.

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;
- Use of our payroll systems.

Steps taken during the financial year to 30 June 2018

In the past financial year, we have taken the following steps to ensure that slavery and human trafficking is not taking place in our supply chains, and in any part of our own business:

a) We have implemented a new e-procurement system, as part of which all of our existing suppliers have been or will be required to go through a re-qualification process (to date 99.4% of suppliers by spend in the last financial year are in the process of, or have completed, this exercise.) This includes revised background checks and further confirmation that suppliers adhere to our Supplier Code of Conduct, which covers modern slavery and human trafficking. In addition, all incoming suppliers now go through the e-procurement system requiring these confirmations at the outset of the contractual relationship.

b) Our suite of compliance policies (both internal and external), including our Whistleblowing policy and Supplier Code of Conduct have been reviewed and updated by external lawyers.

c) We have reviewed our training requirements for compliance matters, including slavery and human trafficking, and a new e-learning has been selected, which includes specific training on slavery and human trafficking.

d) We continue to regularly review our template Supply Contracts and standard Terms & Conditions to ensure appropriate provisions are included when new contracts are entered into.

Statement

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Arqiva Limited, Arqiva Services Limited and Arqiva Smart Metering Limited's slavery and human trafficking statement for the financial year ending 30 June 2018.

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

Governance

Board of Directors and Senior Executive Management	28
Principal risks and uncertainties	32
Directors' report	36
Statement of Directors' responsibilities	40

Board of Directors and Senior Executive Management

Ownership

The ultimate parent company (Arqiva Group Limited) 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).

Board committee membership

A Audit and Risk Committee

N Nomination Committee

R Remuneration Committee

O Operational Resilience

☐ Committee Chairman

Arqiva Board of Directors

The 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.

A N R O

Frank Dangeard, Independent Non-Executive

Frank was appointed to the Board on 10 September 2018. In the telecom, media and technology sector, Frank has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. He is currently on the board of Symantec (US). In the financial sector, he was a Managing Director of SG Warburg and Chairman of SG Warburg France. He served on the boards of Crédit Agricole CIB and Home Credit. He is currently on the board of the RBS Group (UK), and Chairman of NatWest Markets (UK). Frank also held board positions at EDF, RPX and various listed and non-listed companies in Europe, the US, India and the Midle-East.

A

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.

R

Arqiva Board of Directors (continued)

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.

Jane Aikman, Chief Financial Officer

Jane was appointed as Chief Financial Officer in July 2018. Jane has previously held senior executive roles in both private and publicly listed technology, telecoms and infrastructure companies. Immediately prior to joining Arqiva, Jane was CFO of KCOM Group plc, a listed communications services and IT solutions provider. Prior to KCOM, Jane was CFO and Chief Operating Officer of Phoenix IT Group plc until its acquisition by Daisy Group in 2015. She has also held CFO positions at Infinis plc, Wilson Bowden plc and Pressac plc. She holds a civil engineering degree and is a member of the Institute of Chartered Accountants in England and Wales.

Jane's experience is instrumental in ensuring that we maintain our strong financial performance, where efficiency gains and revenue growth continue to underpin our strong market position and leading product offerings.

Mike Darcey, Director

Mike was appointed to the Board on 10 September 2018 by Frequency Infrastructure Communications Assets Limited. Mike has over 25 years of experience in the technology, media and telecommunications industry with numerous positions held ranging from CEO of News International to COO of British Sky Broadcasting Group. He has also provided strategic advisory services to a range of clients in the media industry.

Mike has served or is currently serving on boards including Dennis Publishing (UK) Ltd (Chairman), M247 (Chairman), Home Retail Group (Senior Independent Director) and Sky New Zealand (Director). He holds an MSc Economics from the London School of Economics.

N

Appointed by Frequency Infrastructure Communications Assets Limited:

Martin Healey, Director

Martin was appointed to the Board on 23 April 2018. Martin heads up the Real Assets Strategy Group at Canada Pension Plan Investment Board. He is a member of CPPIB's global committee for equity investments into real estate, infrastructure and power & renewables, as well as real estate debt.

Since joining CPPIB, Martin has led the development of several new investment programs, making CPPIB's first real estate investments into a number of new countries and sectors. He founded the Private Real Estate Debt group in 2010.

A O

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.

N R

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.

O

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.

A N R

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.

A N R O

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):

Paul Donovan, Director

Paul was appointed on 10th September 2018.
Paul is currently CEO of the CH Foundation, a not for profit organisation. He has over twenty years' experience in senior executive roles across the technology, media and telecommunications sectors, as a member of the Executive Committee at Vodafone Group, and as CEO at eircom Group and Odeon and UCI Cinemas. Paul holds an MBA from Bradford University where he is also an Honorary Doctor.

A N R O

Board of Directors and Senior Executive Management

Senior Executive Management
(also includes the Chief Executive Officer and the Chief Financial Officer on page 29)

David Crawford, Managing Director, Telecoms & M2M

- Appointed **Arqiva** Telecoms & M2M in April 2018, previously managing Director of our Satellite and Media business
- Commercial leadership roles at **Cable & Wireless** and **Capita**
- Other previous positions at **Jardine Matheson** and **Bain**

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**

Alex Pannell, Managing Director, Satellite and Media

- **Arqiva** since 2012, appointed Satellite and Media head in April 2018
- Director in **BT Wholesale**
- Other previous positions at **Concert Communications**

Neil Taplin, Director of People and Organisation

- Joined **Arqiva** in 2015, appointed Director of People and Organisation in October 2018
- Previous positions include 12 years at **Virgin Media** in senior operations roles

Clive White, Group Transformation Director

- **Arqiva** since April 2018
- Previous transformation positions at **RSA, Lloyds Banking Group, Accenture, AT&T Global Network** and **BSkyB**

Jeremy Mavor, General Counsel

- Appointed to the **Arqiva** Management Board in January 2018, having joined the Company in 2013
- Previously solicitor at **Allen & Overy**

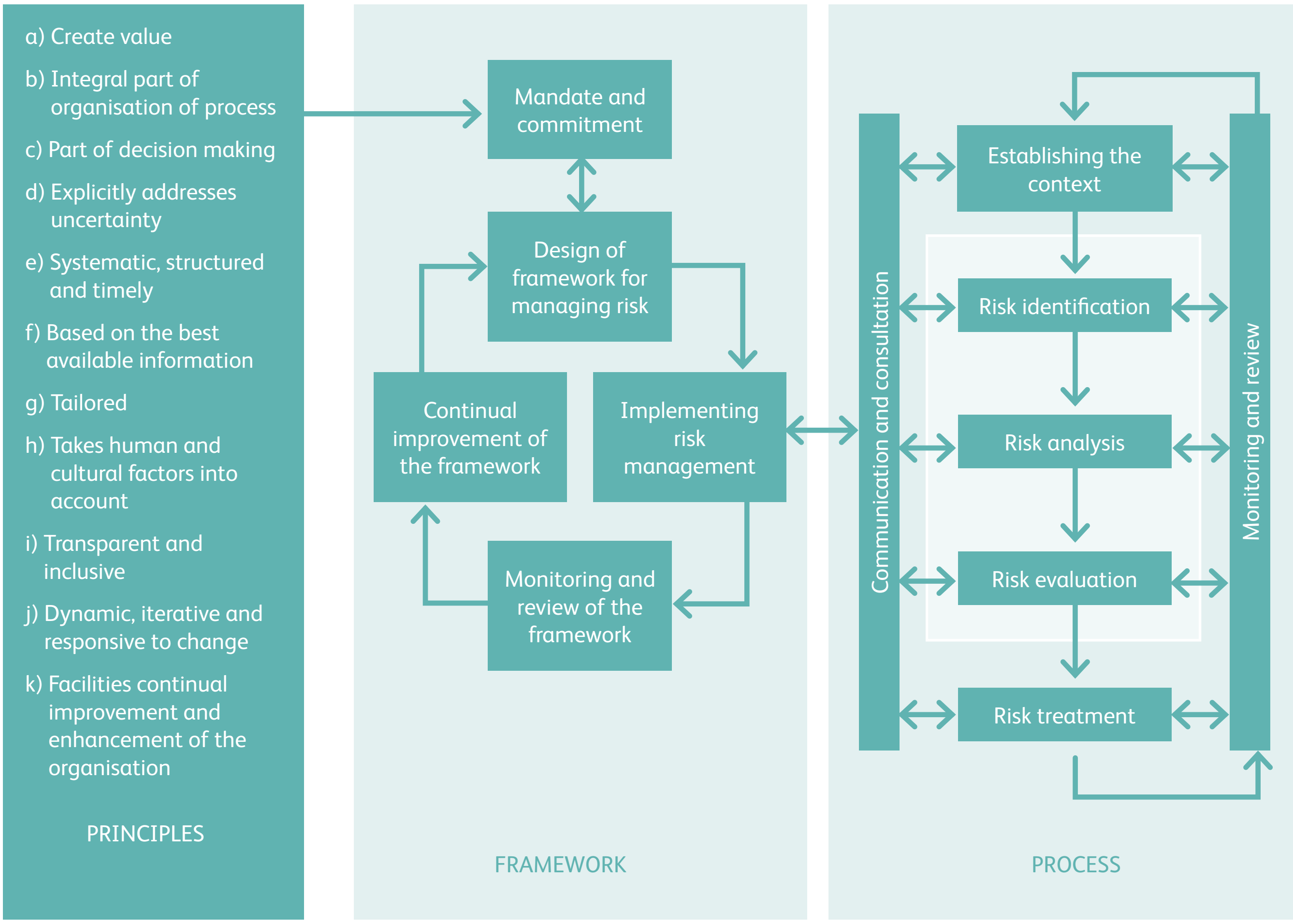
Principal risks and uncertainties

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[1] 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.

Enterprise wide management of risk is important for Arqiva to meet its corporate objectives and for it to protect future competitive advantage. The strategic importance of risk management is recognised by top performing companies and is an important part of good corporate governance. Arqiva subscribes to the Enterprise Risk Management approach to managing its risk profile.

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.



1 ERM refers to Enterprise Risk Management

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.	Arqiva 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 19). Arqiva has continued to meet its contractual milestones on its major contractual programmes, e.g. smart energy metering (see page 19). The Group 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 May, digital radio listening figures passed the 50% mark expected to trigger a review in to timeframe for full analogue switchover. Arqiva has completed 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. During the year, Arqiva has invested in new virtualised capabilities within its Satellite and Media business.

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 uncertainty over a deal for Britain'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.
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 and operational resilience.	Arqiva has implemented detection and prevention solutions on networks. 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 and 700MHz Clearance (see page 19).
	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 continued to focus on supporting individuals with increased support and training for new managers and emerging talent. Regular meetings are held to identify critical issues and ensure timely intervention.
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 is continuing to support the MNOs in focussing on products essential to their strategy. Arqiva has seen significant improvements in customer engagement in the year demonstrating delivery and service excellence to retain status of being a trusted and preferred supplier.
Financial		Details of the financial risks and details of mitigating factors are set out in the Directors' report on page 36.		

Directors' report

The Directors of Arqiva Limited ('AL'), registered company number 02487597, ("the Company") submit the annual report and audited financial statements ("financial statements") in respect of the year ended 30 June 2018.

The Company is a significant trading component of the AGL Group, which owns and operates a portfolio of communications infrastructure including TV and radio transmission services, tower site rental to mobile network operators, machine to machine networks and media services in the UK.

Financial risk management

The principal risks and uncertainties of the Group and Company have been outlined previously in this section of the report (see page 34). 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 AGL 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 AGL 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. Debt and hedging instruments are not held by the Company but by other companies within the AGL Group.
Financing risk	The Group will need to refinance at least part of its debt as it matures and may need additional financing to cover capital expenditure and certain other expenses to support its growth plans. The Group cannot be certain that such financing will be readily available on attractive or historically comparable terms.	The Group mitigates this risk by the strength of the stable long term investment grade capital structure in place, our BBB ratings 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.
	Breach of debt covenants and/or a downgrade in our rating could impact the availability of finance or the comparability of terms.	With regards to covenants the Group maintains financial covenant monitoring and modelling, both retrospectively and prospectively and maintains regular dialogue with credit ratings agencies.
Credit risk	The Company 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.

Risk type	Description of risk / uncertainty	Management of risk / uncertainty
Liquidity risk	Ensuring the Company has sufficient available funds for working capital requirements and planned growth.	The Company maintains cash reserves and access to undrawn committed facilities to cover forecast requirements. As at 30 June 2018 the Company had £8.5m cash. In addition, the AGL Group has £335.0m available undrawn facilities to meet planned growth and working capital requirements and £250.0m of liquidity facilities available to cover senior interest payments if required. These facilities are held in other AGL companies and can be on-lent if required. 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 Company's cost base and is subject to price volatility.	A large proportion of this is managed via pass-through arrangements to customers. The Company'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 Company 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 Company'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 in other AGL Group companies to fix the exchange rate in relation to US Dollar denominated private placement notes.

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 32).

Audit and Risk Committee

The Audit and Risk Committee is chaired by Frank Dangeard, 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 auditor, 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.

In September 2018, the Board rotated the role of Chairman of the Audit and Risk Committee. Frank Dangeard joined Arqiva as an independent non-executive on 10th September 2018 and has been appointed as Chairman of the Committtee, replacing Paul Dollman who resigned as Director on the same date.

During his executive career in the telecoms, media and technology sector, Frank Dangeard has held various positions at Thomson S.A., including Chairman & CEO, and was Deputy CEO of France Telecom. Prior to that, he was Chairman of SG Warburg France and a Managing Director of SG Warburg. He is a member of the boards of Symantec (US), RPX (US) and the RBS Group (UK). Previously he served on the board of Crédit Agricole CIB, Home Credit, Electricité de France, Orange, SonaeCom and as Deputy Chairman of Telenor. A graduate from Ecole des Hautes Etudes Commerciales (Prix Jouy-Entreprise), the Paris Institut d'Etudes Politiques (Lauréat) and the Harvard Law School (HLS Fellow, Fulbright Scholar).

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 auditor 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.

The auditors have provided certain non-audit services, principally in relation to transaction support services, non-audit assurance and tax compliance. The Audit Committee discusses all non-audit services with the auditors in advance of commencement of work to confirm acceptability and 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 adequacy and 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

Directors report

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 21.

Political donations

No political donations were made during the year (2017: none).

Research and development

Arqiva performs research and development into new products and technology, the costs of which are capitalised in accordance with the Company's accounting policy where they meet the criteria for capitalisation. The research costs expensed in the year were £5.2m (2017: £2.9m). In addition, the Company carries out research and development as part of its contract bid processes and these costs are expenses as part of the bid costs unless the development expenditure can be capitalised. The bid costs expensed during the year total £2.7m (2017: £2.7m).

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 Company's capital expenditure in the year was £165.9m (2017: £167.5m) and includes capitalised labour of £51.5m (2017: £56.7m). Other development costs would be capitalised within intangible assets. In the year, development costs capitalised total £5.6 (2017: £5.7m), with amortisation of £2.6m (2017: £2.0m) charged against such capitalised development costs.

Overseas branches

The Group has trading branches based in the Isle of Man, Channel Islands, France, Italy, Singapore and the United States.

Events after the reporting date

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

Dividends and transfers to reserves

The Company has declared no dividends in the year (2017: none). The profit for the year of £356.0m (2017: profit of £270.7m) 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 Company. Notes 17 and 19 of the 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 Company's profit and cash flow forecasts alongside the Company's current funding requirements and facilities available to the Company to ensure it can continue for the foreseeable future. The Directors continue to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future and consequently adopt a going concern basis in preparing the financial statements.

Future developments

The Company plans to continue to invest in its business units in accordance with its strategy. Further detail is contained within the Strategic report on page 10.

Ownership and Directors

A description of the ownership of the AGL 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 28.

At 30 June 2018, Mike Parton was the Group's independent Chairman. Jeremy Mavor was the Company Secretary.

For details on the background of the Board of Directors and the Senior Executive Management please refer to page 29.

Details of the statutory directors of the Company are shown below:

Mike Parton (Chairman)
Simon Beresford-Wylie (Chief Executive Officer)
Jane Aikman (Chief Financial Officer) (appointed 23 July 2018)
Peter Adams
Mark Braithwaite
Deepu Chintamaneni
Frank Dangeard (appointed 10 September 2018)
Mike Darcey (appointed 10 September 2018)
Sally Davis
Paul Dollman (resigned 10 September 2018)
Paul Donovan (appointed 10 September 2018)
Martin Healey (appointed 23 April 2018)
Neil King
Nathan Luckey
Paul Mullins (resigned 17 September 2017)
Christian Seymour
Liliana Solomon (resigned 30 June 2018)
Damian Walsh (resigned 10 September 2018)

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 Group 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

Frank Dangeard
Director
22 October 2018

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 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 Company and of the profit or loss of the Company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- State whether applicable 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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.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Financial Statements

Financial statements

Independent Auditors' report to the members of Arqiva Limited	43
Income statement	46
Statement of comprehensive income	47
Statement of financial position	48
Statement of changes in equity	49
Notes to the Group financial statements	50

Independent Auditors' report to the Members of Arqiva Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arqiva Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its profit for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 30 June 2018, the Income Statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended 30 June 2018; and the 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 Company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 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 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 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 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 2018 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 Company and its 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 40, 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 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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Graham Lambert

Graham Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
22 October 2018

Income Statement

	Notes	Year ended 30 June 2018 Pre-exceptional items £m	Exceptional items £m[1]	Total £m	Year ended 30 June 2017 Pre-exceptional items £m	Exceptional items £m[1]	Total £m
Revenue	5	682.7	-	682.7	637.8	-	637.8
Cost of sales		(218.7)	-	(218.7)	(234.0)	-	(234.0)
Gross profit		**464.0**	**-**	**464.0**	**403.8**	**-**	**403.8**
Depreciation	14	*(123.8)*	-	*(123.8)*	*(103.6)*	-	*(103.6)*
Amortisation	13	*(16.4)*	-	*(16.4)*	*(12.0)*	-	*(12.0)*
Impairment	13, 14	-	-	-	*(4.4)*	-	*(4.4)*
Other administrative expenses	7	*(83.4)*	*(9.3)*	*(92.7)*	*(73.2)*	*(28.8)*	*(102.0)*
Total operating expenses		(223.6)	(9.3)	**(232.9)**	(193.2)	(28.8)	**(222.0)**
Other income		2.0	-	2.0	0.5	-	0.5
Operating profit	6	**242.4**	(9.3)	**233.1**	**211.1**	(28.8)	**182.3**
Finance income	9	139.9	-	139.9	95.6	-	95.6
Finance costs	10	(13.8)	-	(13.8)	(7.2)	-	(7.2)
Other gains and losses	7	-	4.3	4.3	-	-	-
Profit before tax		**368.5**	(5.0)	**363.5**	**299.5**	(28.8)	**270.7**
Tax	11			(7.5)			-
Profit for the year				**356.0**			**270.7**

All results are from continuing operations. Further comments on 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 Company's performance. See note 7 for further information.

Statement of comprehensive income

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit for the year		356.0	270.7
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on pension schemes	23	10.8	(0.5)
Movement on deferred tax relating to pension schemes		(1.8)	-
Other comprehensive income / (expense) for the year		**9.0**	**(0.5)**
Total comprehensive income		**365.0**	**270.2**

Statement of financial position

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Non-current assets			
Goodwill	12	43.5	43.5
Intangible assets	13	57.7	46.6
Property, plant and equipment	14	1,130.1	1,116.9
Deferred tax	22	47.3	-
Retirement benefits	23	20.6	7.1
Investments in subsidiaries	15	72.4	73.5
		1,371.6	**1,287.6**
Current assets			
Trade and other receivables	16	2,001.0	1,488.6
Cash and cash equivalents	17	8.5	6.2
		2,009.5	**1,494.8**
Total assets		**3,381.1**	**2,782.4**
Current liabilities			
Borrowings	19	(0.7)	(0.4)
Trade and other payables (including accruals and deferred income)	18	(1,170.0)	(1,046.9)
Provisions	21	(1.1)	(17.6)
		(1,171.8)	**(1,064.9)**
Net current assets		**837.7**	**429.9**
Non-current liabilities			
Borrowings	19	(17.6)	(17.9)
Other payables (including deferred income)	18	(214.5)	(93.9)
Provisions	21	(40.6)	(34.1)
		(272.7)	**(145.9)**
Total Liabilities		**(1,444.5)**	**(1,210.8)**
Net assets		**1,936.6**	**1,571.6**
Equity			
Share capital	24	30.0	30.0
Share premium	25	90.8	90.8
Retained earnings		1,802.4	1,437.4
Capital Reserve		13.4	13.4
Total equity		**1,936.6**	**1,571.6**

The accounting policies and notes on pages 50 to 79 form part of these financial statements.

The financial statements on pages 46 to 79 were approved by the Board of Directors on 22 October 2018 and were signed on its behalf by:

Frank Dangeard - Director

Statement of changes in equity

	Share capital £m	Share premium £m	Retained earnings £m	Capital reserve £m	Total equity £m
Balance at 1 July 2016	**30.0**	**90.8**	**1,167.2**	**13.4**	**1,301.4**
Profit for the year	-	-	270.7	-	270.7
Other comprehensive expenses	-	-	(0.5)	-	(0.5)
Total comprehensive income	-	-	270.2	-	270.2
Balance at 30 June 2017	**30.0**	**90.8**	**1,437.4**	**13.4**	**1,571.6**
Profit for the year	-	-	356.0	-	356.0
Other comprehensive income	-	-	9.0	-	9.0
Total comprehensive income	-	-	365.0	-	365.0
Balance at 30 June 2018	**30.0**	**90.8**	**1,802.4**	**13.4**	**1,936.6**

Notes to the financial statements

1 General Information

Arqiva Limited ("the Company") is a private company incorporated in England, United Kingdom ("UK") under the Companies Act under registration number 02487597. The address of the registered office is Crawley Court, Winchester, Hampshire, SO21 2QA.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 5.

2 Basis of preparation and statement of compliance

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 on a going concern basis under the historical cost convention other than where set out in the accounting policies, and in accordance with the Companies Act 2006. The Group's consolidated financial statements are available online at www.arqiva.com.

The requirements have been applied in accordance with the requirements of the Companies Act 2006.

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 paragraph 38; comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, plant and equipment (iii) paragraph 118(e) of IAS 38 Intangible assets.
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 to136.
IAS 7 *Statement of Cash Flows*	All disclosure requirements.
IAS 8 *Accounting policies, changes in accounting estimates and errors*	The requirements of paragraphs 30 and 31.
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 and key management personnel.
IAS 36 *Impairment of Assets*	The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e).
IFRS 13 *Fair Value Measurement*	The requirements of paragraphs 91 to 99.
IFRS 7 *Financial Instruments: Disclosures*	All disclosure requirements.

3 Principal accounting policies

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

Exemption from consolidation

The Company is a wholly owned subsidiary of Arqiva Holdings Limited and of its ultimate parent, Arqiva Group Limited ('AGL'). It is included in the consolidated financial statements of AGL which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate individual company financial statements.

Going concern

The Company adopts the going concern basis in preparing its financial statements based upon the support from its ultimate parent undertaking and the future profit, cash flows and available resources of the Company 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.

Changes in accounting policy and disclosures

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 the financial statements.

Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses
Annual improvements 2014-2016 cycle	Includes amendments to IFRS 12
Amendments to IAS 7	Disclosure initiatives relating to cash flow statements

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:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to IFRS2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
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
IFRIC 23	Uncertainty over income tax treatments	1 January 2019	30 June 2020
IFRS 16	Leases	1 January 2019	30 June 2020
Annual improvements 2014-2016 cycle	Amendments to IFRS 1 and IAS 28	1 January 2018	30 June 2019

Impact assessment of new standards

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 Company in future periods.

IFRS 16 Leases is expected to have a material impact on the financial statements of the Company in future periods. This is primarily through the recognition of the Company'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 Company's operating lease commitments are shown in note 26.

IFRS 9 Financial Instruments will be effective for the Group for the year ended 30 June 2019. The new standard addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and debt modifications and a new impairment model for financial assets.

The majority of the Company's assets and liabilities are currently classified at fair value through profit or loss or amortised cost and hence there is no expected change to the accounting treatment of these instruments.

The changes to debt modifications will result in any changes to debt that do not result in the full extinguishment of the instrument needing to be fair valued based on the effective interest rate of the new instrument and a gain or loss to the carrying value recognised in other gains and losses. Management have performed an impact assessment of previous debt refinancing for retrospective application of the standard and do not expect these changes to have a material impact on the financial statements.

The new impairment model under IFRS 9, requires the recognition of impairment provisions against financial assets, including intercompany loans, based on an expected credit loss model rather than incurred credit losses as required under the current standard. Based on the impact assessments undertaken by the Group to date, there is not currently expected to be a material impact on the loss allowance recognised by the Company. The new standard will also introduce additional disclosure requirements for the Company.

Revenue

Revenue represents the gross inflow of economic benefit in respect of communication network infrastructure services and includes the value of charges made for site rental. Revenue is stated net of value added tax. Revenue is measured at 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 Company 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, 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.

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

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.

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.

Assets held under finance leases are recognised as assets if 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 policy on borrowing costs (see property, plant and equipment above). 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.

Foreign currency translation

The financial statements of the Company are presented in 'Pounds Sterling' (£), which is also the entity's functional currency. Foreign currency transactions are translated into the functional currency using the rate of exchange prevailing on the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the re-translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Retirement benefits

The company operates various post-employment schemes, including both defined benefit and defined contribution plans.

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 Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities. Any defined benefit asset or liability is presented separately on the face of the statement of financial position and net of deferred tax.

Taxation and deferred taxation

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

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

Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost (which includes costs directly attributable to bringing the assets into working condition), less accumulated depreciation and any provision for impairment. Or, where this is not considered to be the fair value of the assets acquired, an allocated fair value is calculated using alternative valuation methods.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. The cost of self-constructed assets includes the cost of materials and direct labour.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised where assets take a significant period of time to become ready for use.

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 land and buildings	Length of lease (typically between 20-80 years)
Plant and equipment	5 – 100 years

Freehold land is not depreciated.

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

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 income.

Intangible assets

Recognition and measurement

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)
Software	10 years

Internally-generated intangible assets – research and development expenditure

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.

Acquired goodwill

The amount initially recognised for acquired goodwill is the historic purchase cost incurred or deemed cost. Subsequently the acquired goodwill is reported at cost less accumulated impairment losses, on the same basis as other intangible assets acquired separately stated at original purchase cost less any provision for impairment. Goodwill is considered to have an indefinite useful life.

De-recognition of intangible assets

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.

Impairment of non-financial assets

At each balance sheet date, the Company 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 Company 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 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are shown at cost less provision for impairment.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 Company will be required to settle an obligation or a reliable estimate cannot be made of the amount of the obligation the Company discloses a contingent liability in the notes to the financial statements.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed or equipment sold in the ordinary course of business. These balances do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are obligations to pay for goods or services acquired in the ordinary course of business from suppliers. They are not interest bearing and are stated at their nominal value.

Cash and cash equivalents

Cash includes cash at bank and in hand and bank deposits repayable on demand.

Interest

Interest income and expense are accounted for on an accruals basis and comprise amounts receivable and payable on deposits, finance leases and intercompany balances respectively, plus any unwinding of discount on provisions.

Exceptional items

Exceptional items are those that are considered to be one-off, non-recurring in nature or so material that the Directors believe that they require separate disclosure to avoid the distortion of underlying performance. Underlying performance is the reported performance excluding significant one-off and non-recurring events that more fairly represents the on-going trading performance of the business. These items are presented separately on the face of the income statement.

4 Critical accounting estimates and judgements

In the application of the Company'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 Company's accounting policies

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

Revenue recognition

Critical accounting judgements:

In applying the Company'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; and
- the recognition of a significant financing component.

Key estimations:

In applying the Company's revenue recognition policy, as set out in note 3, estimations are made in respect of certain areas including:

- determination of fair value of non-cash consideration;
- in the application of the percentage of completion approach to long-term contractual arrangements which relies on estimates of total expected contract revenues and costs, as well as reliable measurement of the progress made towards completion.

The aforementioned judgements 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, such as the 700MHz clearance programme, which typically contain a programme build phase and a long-term operational phase.

Useful lives for property, plant and equipment and intangibles

Key estimations:

The assessment of the useful economic lives of these assets requires judgement.

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 Company will derive benefit from these assets.

The Company 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 Company and within the industry as a whole.

The carrying values of intangibles are disclosed in note 13, and those for property, plant and equipment are disclosed in note 14.

Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 21, the Company's provisions principally relate to obligations arising from contractual obligations, restructuring and property remediation plans and decommissioning obligations. The identification of such obligations in the context of daily operations which require provisions to be made requires judgement.

Judgement is also required to distinguish between provisions and a contingent liabilities.

Key estimations:

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

Management uses estimation in measuring the exposures to contingent liabilities (see note 26) 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 judgements:

The carrying amount of the Company's goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment, in compliance with the Company's accounting policies. Judgement is used to identify indicators of impairment and their impact upon the goodwill balances.

Key estimations:

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 Company 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 most important assumptions underlying the changes in value in use involve estimates of growth rates, discount rate (with reference to weighted average costs of capital), and tax rates.

The carrying amount of goodwill at the statement of financial position date is disclosed in note 12.

Actuarial assumptions used to determine the carrying amount of the Company's defined benefit plan liabilities

Critical accounting judgements:

The Company's defined benefit plan liabilities is 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 Company 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.

Key estimations:

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 obligation at 30 June 2018, the key financial assumptions used to measure the obligation, the sensitivity of the IAS 19 (Revised 2011) pension liability at 30 June 2018, and of the income statement charge in the year then ended to changes in these assumptions are disclosed in note 23.

5 Revenue

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

The following revenue was generated by the Company:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Rendering of services	611.8	591.8
Engineering projects	61.7	34.3
Sale of goods	9.2	11.7
Revenue	**682.7**	**637.8**

All revenue relates to sales originating in the UK.

6 Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Wages and salaries	125.4	118.2
Social security costs	12.4	12.7
Other pension costs	10.6	10.5
Employee costs	**148.4**	**141.4**
Loss on disposal of property, plant and equipment	0.2	0.2
Impairment of property, plant and equipment	-	3.6
Impairment of intangible assets	-	0.8
Operating lease charges	20.3	25.3
Depreciation of property, plant and equipment	123.8	103.6
Amortisation of intangible assets	16.4	12.0
Management recharge to fellow Group company	(34.4)	(35.7)

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

Services provided by the Company's Auditors and network firms

The Company's audit fee for the year was £78,000 (2017: £75,000). Fees paid to the Company's Auditors for services other than the statutory audit of the Company totalled £912,000, comprised of £120,000 for other audit services, £30,000 relating to taxation services and £762,000 for other assurance services.

7 Exceptional items

The Company 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.

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating expenses:		
Reorganisation and severance	1.8	17.1
Corporate finance activities	7.5	5.5
Loss on disposal of subsidiary	-	6.2
	9.3	**28.8**
Other gains and losses:		
Profit on disposal of investment	(4.3)	-
Total exceptional items	**5.0**	**28.8**

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

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

Profit on disposal of investment relates to the disposal of the Group's 22.5% shareholding in Arts Alliance Media Investment Limited, a joint venture. Consideration of £5.2m was received in respect of this disposal with an investment of £1.0m held prior to sale.

Loss on disposal of subsidiary in the prior year related to the disposal of Arqiva WiFi Limited, a subsidiary undertaking, which operated in non-core business areas, specifically certain WiFi contracts.

The expense amounts included within exceptional items above are deductible for the purpose of taxation. The loss on disposal of subsidiary (see note 15 for further information) is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees and directors

Employees

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

	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
Terrestrial Broadcast	727	674
Telecoms & M2M	480	535
Satellite and Media	359	324
Corporate	505	527
Total employees	**2,071**	**2,060**

Directors

The aggregate of the amounts paid to Directors in respect of their services as a Director of the Company are set out below:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Aggregate remuneration	1.4	1.5
Amounts due under long term incentive plans	2.4	4.6
Loss of office	0.5	-
Total remuneration	**4.3**	**6.1**

Certain Directors were representatives of the Ultimate Parent Company's shareholders and their individual remuneration reflects the services they provide to the Company and other Group companies.

Highest paid director

Included in the above is remuneration in respect of the highest paid Director of:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Aggregate remuneration	2.0	2.8
Total remuneration	**2.0**	**2.8**

9 Finance income

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Bank interest income	0.1	0.1
Interest receivable from Group companies	138.6	92.4
Other loans and receivables	1.2	3.1
Total finance income	**139.9**	**95.6**

10 Finance costs

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Bank charges	0.1	0.1
Other loan interest payable	13.4	4.3
Interest on obligations under finance leases	1.0	1.0
Total interest expense	**14.5**	**5.4**
Interest capitalised in the year	(3.5)	-
Unwinding of discount on provisions (see note 21)	2.8	1.8
Total finance costs	**13.8**	**7.2**

11 Tax

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Current tax:		
UK corporation tax		
- Current year	56.5	-
	56.5	**-**
Deferred tax:		
Origination and reversal of timing differences	13.2	(20.5)
Change in unrecognised deferred tax asset	(13.2)	18.1
Recognition of deferred tax asset	(49.0)	-
Impact of rate change	-	2.4
	(49.0)	**-**
Tax charge for the year	**7.5**	**-**

UK Corporation tax is calculated at the weighted average rate of 19.0% (2017: 19.75%) of the estimated taxable profit for the year.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit before tax	363.5	270.7
Tax at the UK Corporation tax rate of 19.0% (2017: 19.75%)	69.1	53.5
Tax effect of expenses not deductible for tax purposes	2.3	1.3
Change in unrecognised deferred tax assets	(13.2)	18.1
Recognition of previously unrecognised deferred tax asset*	(49.0)	-
Impact of change in tax rates	(1.7)	5.7
Tax loss received for nil consideration	-	(78.6)
Total tax charge for the year	**7.5**	**-**

The main rate of UK corporation tax remained at 19% during the period and a 19% tax rate (2017: 19.75% blended) has therefore been used for the reconciliation of total tax. UK deferred tax has been valued at 17% (2017: 17%) as this is the substantially enacted rate at the balance sheet date at which the deferred tax balances are forecast to unwind.

Due to the impact to the group from changing tax legislation, the decision was made with effect from 1 July 2017 to pay for group relief. The current year UK corporation tax charge represents the payment made to other Group companies for the provision of tax losses by way of group relief.

*Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017. The overall effect of these changes is that certain previously unrecognised deferred tax assets have been recognised at 30 June 2018 as a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable. These relate primarily to fixed asset temporary differences.

Tax in Statement of Comprehensive Income

There is a tax charge of £1.8m (2017 £nil) in respect of the actuarial movement of £10.8m (2017: £(0.5m)) in the Statement of Comprehensive Income.

12 Goodwill

	£m
Cost:	
At 1 July 2016, 30 June 2017 and 30 June 2018	**43.5**
Accumulated impairment losses:	
At 1 July 2016, 30 June 2017 and 30 June 2018	**-**
Carrying amount:	
At 30 June 2018	**43.5**
At 30 June 2017	43.5

13 Other intangible assets

	Licences	Development costs	Access rights	Software	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2016	4.1	6.6	7.0	68.5	86.2
Additions	8.0	2.0	-	-	10.0
Transfers from AUC (note 14)	-	3.7	-	8.9	12.6
Disposals	-	(0.4)	-	-	(0.4)
At 30 June 2017	12.1	11.9	7.0	77.4	108.4
Additions	0.4	3.1	-	-	3.5
Transfers from AUC (note 14)	-	2.5	-	21.5	24.0
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	**12.5**	**17.0**	**7.0**	**98.0**	**134.5**
Accumulated amortisation and impairment					
At 1 July 2016	1.8	1.1	7.0	39.5	49.4
Amortisation	0.4	2.0	-	9.6	12.0
Disposals	-	(0.4)	-	-	(0.4)
Impairment	0.6	0.2	-	-	0.8
At 30 June 2017	2.8	2.9	7.0	49.1	61.8
Amortisation	1.2	2.6	-	12.6	16.4
Disposals	-	(0.5)	-	(0.9)	(1.4)
At 30 June 2018	**4.0**	**5.0**	**7.0**	**60.8**	**76.8**
Carrying amount					
At 30 June 2018	**8.5**	**12.0**	**-**	**37.2**	**57.7**
At 30 June 2017	9.3	9.0	-	28.3	46.6

Development costs in respect of products and services that are being developed by the Company 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.

Impairment during the year ended 30 June 2018 relates to the write down of the carrying value of non-core business areas.

14 Property, plant and equipment

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and equipment £m	Assets under the course of construction (AUC) £m	Total £m
Cost					
At 1 July 2016	166.4	75.1	1,329.3	100.1	1,670.9
Additions	-	-	19.5	138.0	157.5
Reclassifications	4.1	7.0	(11.1)	-	-
Completion of AUC	4.4	1.8	113.0	(119.2)	-
Transfers to/from Group companies	-	-	4.0	(16.8)	(12.8)
Transfers to other intangibles (note 13)	-	-	-	(12.6)	(12.6)
Disposals	(0.3)	(1.8)	(10.6)	-	(12.7)
At 30 June 2017	174.6	82.1	1,444.1	89.5	1,790.3
Additions	(0.2)	-	21.7	140.9	162.4
Reclassifications	(8.1)	8.1	-	-	-
Completion of AUC	(0.1)	0.8	95.5	(96.2)	-
Transfers to/from Group companies	-	-	-	(1.1)	(1.1)
Transfers to other intangibles (note 13)	-	-	(0.2)	(23.8)	(24.0)
Disposals	(0.7)	(0.1)	(41.6)	-	(42.4)
At 30 June 2018	**165.5**	**90.9**	**1,519.5**	**109.3**	**1,885.2**
Accumulated depreciation and impairment					
At 1 July 2016	29.6	28.3	516.7	-	574.6
Depreciation	3.9	3.1	96.6	-	103.6
Reclassifications	1.7	4.8	(6.5)	-	-
Transfers to/from Group companies	-	-	4.0	-	4.0
Disposals	(0.2)	(1.7)	(10.5)	-	(12.4)
Impairment	-	-	3.2	0.4	3.6
At 30 June 2017	35.0	34.5	603.5	0.4	673.4
Depreciation	2.8	3.1	117.9	-	123.8
Reclassifications	(7.6)	8.0	-	(0.4)	-
Disposals	(0.5)	(0.1)	(41.5)	-	(42.1)
At 30 June 2018	**29.7**	**45.5**	**679.9**	**-**	**755.1**
Carrying amount					
At 30 June 2018	**135.8**	**45.4**	**839.6**	**109.3**	**1,130.1**
At 30 June 2017	139.6	47.6	840.6	89.1	1,116.9

Freehold land included above but not depreciated amounts to £79.4m (2017: £78.9m).
The Company's current and non-current assets have been pledged as security under the terms of the Group's external debt facilities (see note 26). In addition, the company's obligations under finance leases (see note 20) are secured by the lessors' title of the leased assets, which have a carrying amount of £5.9m (2017: £5.8m).

During the year, £3.5m (2017: £nil) of interest was capitalised, as set out in note 10. The carrying value of capitalised interest included within property, plant and equipment was £13.5m (2017: £11.0m).

At 30 June 2018, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £47.8m (2017: £49.1m) – see note 26 for further details.

Included within plant and equipment are telecommunications assets initially recognised on a fair value basis at a value of £48.6m (2017: £30.9m) and accumulated depreciation of £10.0m (2017: £6.1m). Fair value was determined using observable inputs (fair value hierarchy Level 2).

Impairment during the year ended 30 June 2017 relates to the write down of the carrying value of non-core business areas.

15 Investments

	Investments in subsidiaries £m
Cost	
At 1 July 2016	106.4
Capital contribution	0.6
At 30 June 2017	107.0
Disposals	(1.1)
At 30 June 2018	**105.9**
Provision for impairment	
At 1 July 2016	33.5
Impairment	-
At 30 June 2017	33.5
Impairment	-
At 30 June 2018	**33.5**
Net book value	
At 30 June 2018	**72.4**
At 30 June 2017	73.5

The Company received dividends of £nil from Arqiva SAS (2017: £nil), £nil from Arqiva SRL (2017: £nil) and £nil from YouView TV Limited (2017: £nil) in the year (see note 9).

The Directors consider the carrying value of the Company's investments in its subsidiaries and joint ventures 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.

The disposal of investments in the current year relate to the sale of the Company's holdings in Arts Alliance Media Investment Limited in October 2017.

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
ABHL Multiplex Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva (Scotland) Limited	United Kingdom	Transmission services	30-Jun	100% (held directly)
Arqiva Communications Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Defined Benefit Pension Plan Trustees Limited	United Kingdom	Pension company	30-Jun	100% (held directly)
Arqiva Inc.	USA	Satellite transmission services	30-Jun	100% (held directly)
Arqiva Limited	Ireland	Transmission services	30-Jun	100% (held directly)
Arqiva Media Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 10 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva No. 11 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Pte Limited	Singapore	Satellite transmission services	30-Jun	100% (held directly)
Arqiva SAS	France	Satellite transmission services	30-Jun	100% (held directly)
Arqiva SRL	Italy	Satellite transmission services	30-Jun	100% (held directly)
Capablue Limited	United Kingdom	Transmission services	30-Jun	100% (held directly)
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% (held directly)
Inmedia Communications (Holdings) Limited	United Kingdom	Dormant company	30-Jun	100%
Inmedia Communications Group Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Inmedia Communications Limited	United Kingdom	Dormant company	30-Jun	100%
J F M G Limited	United Kingdom	Spectrum services	30-Jun	100% (held directly)
Macropolitan Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
NWP Spectrum Holdings Limited	United Kingdom	Holding company	30-Jun	100%
Scanners (Europe) Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Scanners Television Outside Broadcasts Limited	United Kingdom	Dormant company	30-Jun	100%
Selective Media Limited	United Kingdom	WiFi services	30-Jun	100%
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% (held directly)
Joint ventures				
Arts Alliance Media Investment Limited	British Virgin Islands	Digital cinema distribution	30-Jun	22.5% (disposed of 26 October 2017)
YouView TV Limited	United Kingdom	Open source IPTV development	31-Mar	14.30%
Sound Digital Limited	United Kingdom	Ownership and operation of UK DAB radio multiplex licence	31-Dec	40.0%

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 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 (Scotland) Limited	c/o Morton Fraser, Quartermile 2, 2 Lister Square, Edinburgh, EH3 9GL, Scotland.
Joint ventures	
YouView TV Limited	10 Lower Thames Street, Third Floor, London, EC3R 6YT
Sound Digital Limited	Media House Peterborough Business Park, Lynch Wood, Peterborough, United Kingdom, PE2 6EA

16 Trade and other receivables

	30 June 2018 £m	30 June 2017 £m
Trade receivables	99.0	101.1
Amounts receivable from other Group entities	1,792.3	1,290.7
Amounts receivable from joint ventures	-	0.6
Other receivables	6.9	5.1
Prepayments	47.7	31.9
Accrued income	55.1	59.2
Total trade and other receivables	**2,001.0**	**1,488.6**

Amounts receivable from other Group entities are unsecured and repayable on demand. Interest has been charged on £1,707.5m at 9.5% (2017: £1,214.8m at 9.5%) in relation to structured loan balances, and £84.8m at 0% (2017: £75.9m at 0%) in relation to trading and working capital loan balances.

Trade receivables are stated after provisions for doubtful debts of £6.2m (2017: £9.7m).

17 Cash and cash equivalents

	30 June 2018 £m	30 June 2017 £m
Cash at bank	4.4	6.2
Short term deposit	4.1	-
Total cash and cash equivalents	**8.5**	**6.2**

18 Trade and other payables

	30 June 2018 £m	30 June 2017 £m
Current:		
Trade payables	61.2	49.2
Amounts payable to other Group entities	914.9	790.7
Taxation and social security costs	23.1	22.5
Other payables	15.7	14.2
Accruals	70.7	64.9
Deferred income	84.4	105.4
Total current trade and other payables	**1,170.0**	**1,046.9**
Non-current:		
Deferred income	214.5	93.9
Total non-current trade and other payables	**214.5**	**93.9**

Amounts payable to other Group entities are unsecured, interest free, and are repayable on demand.

19 Borrowings

	30 June 2018 £m	30 June 2017 £m
Within current liabilities:		
Finance lease obligations (see note 20)	0.7	0.4
Borrowings due within one year	**0.7**	**0.4**
Within non-current liabilities:		
Loans from other Group entities	5.3	5.3
Finance lease obligations (see note 20)	12.3	12.6
Borrowings due after more than one year	**17.6**	**17.9**

All borrowings are sterling denominated.

Loans from other Group entities are unsecured, interest free and repayable in more than five years.

20 Obligations under finance leases

Future minimum payments under finance leases are as follows:

	30 June 2018 £m	30 June 2017 £m
Within one year	1.7	1.4
In more than one year, but not more than five years	6.5	6.0
After five years	11.6	13.3
Total gross payments	**19.8**	**20.7**
Less finance charges included above	(6.8)	(7.7)
Total finance leases	**13.0**	**13.0**
Analysed as:		
Amounts due for settlement within one year (presented within current liabilities)	0.7	0.4
Amounts due for settlement after one year (presented within non-current liabilities)	12.3	12.6
Total finance leases	**13.0**	**13.0**

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

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

21 Provisions

	Decommissioning	Onerous contracts	Restructuring	Remediation and maintenance	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 July 2017	30.2	0.9	15.8	4.1	0.7	51.7
Addition created through property, plant and equipment	3.7	-	-	-	-	3.7
Income statement expense	-	-	-	-	0.2	0.2
Unwind of discount	2.2	-	-	0.4	-	2.6
Utilised	-	-	(14.6)	-	-	(14.6)
Released to income statement	(0.2)	(0.9)	(0.8)	-	-	(1.9)
At 30 June 2018	**35.9**	**-**	**0.4**	**4.5**	**0.9**	**41.7**

Provisions are analysed between current and non-current based on expected utilisation as follows:

	30 June 2018	30 June 2017
	£m	£m
Analysed as:		
Current	1.1	17.6
Non-current	40.6	34.1
	41.7	**51.7**

Provisions are made for decommissioning and asset at risk costs where the Company 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 17 years.

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

The restructuring provision relates to the costs of a reorganisation of Group and Company operations 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 Company’s sites and is expected to be utilised over the next one to ten years.

22 Deferred tax

The balance of deferred tax recognised at 30 June 2018 is £47.3m (2017: £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	**Fixed assets temporary differences**	**Other temporary differences**	**Total**
	£m	**£m**	**£m**
At 1 July 2016	3.6	-	3.6
Credited to the income statement	(3.6)	-	(3.6)
At 30 June 2017	-	-	-
Credited to the income statement	41.9	8.9	50.8
At 30 June 2018	**41.9**	**8.9**	**50.8**

Deferred tax liabilities	**Pension**	**Other temporary differences**	**Total**
	£m	**£m**	**£m**
At 1 July 2016	-	3.6	3.6
Charged to the income statement	-	(3.6)	(3.6)
At 30 June 2017	-	-	-
Charged to the income statement	1.7	-	1.7
Charged to other gains and losses	1.8	-	1.8
At 30 June 2018	**3.5**	**-**	**3.5**

Deferred tax assets are not recognised unless it is probable that there are sufficient taxable profits against which they will be realised. As set out in note 11, due to changes in tax legislation, the Company has recognised its deferred tax assets as at 30 June 2018. In the prior year, the Company had an unrecognised deferred tax asset of £61.7m; this is in respect of fixed asset temporary differences of £60.1m and other timing differences 2017: £1.6m. These deferred tax assets may be carried forward indefinitely. There are no unrecognised deferred tax assets as at 30 June 2018.

Deferred tax has been calculated based on the UK corporation tax rate of 17.0% (2017: 17.0%); the rate substantively enacted at the balance sheet date at which deferred tax is forecast to unwind.

No deferred tax liability is recognised on temporary differences of £nil (2017: £nil) relating to the unremitted earnings of overseas subsidiaries as the company 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.

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and introduced new rules to restrict the deductibility of interest costs from 1 April 2017. Due to the impact of these changes, significant previously unrecognised deferred tax assets were assessed as being recoverable during the period ended 30 June 2018. This is a result of the forecast utilisation of these assets being accelerated and their realisation therefore being assessed as probable. A net deferred tax asset of £47.3m has therefore been recognised within these financial statements as at 30 June 2018. This asset relates primarily to fixed asset temporary differences.

The recognised deferred tax asset is not considered to be materially exposed to the performance of the Group based on reasonably possible trading forecasts.

23 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 £10.8m (2017: £10.7m). The assets of the Scheme are held outside of the Group.

An amount of £1.3m (2017: £0.7m) is included in accruals being the outstanding contributions to the Defined Contribution Scheme.

Defined benefit plan

In the year to 30 June 2018, 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, longevity risk, and salary 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 20 years.

The most recent triennial actuarial funding valuation of the Plan assets and the present value of the defined benefit liability was carried out as at 30 June 2017 by an independent firm of consulting actuaries. The present value of the IAS19 defined benefit liability, and the related current service cost and past service cost, have been measured using the projected unit credit method based on roll-forward updates to the triennial valuation figures.

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

	30 June 2018	30 June 2017
Key assumptions		
Discount rate	2.80%	2.80%
Price inflation (RPI)	3.00%	3.10%
Life expectancy of a male / female age 60 (current pensioner)	26.6yrs / 28.6yrs	26.7yrs / 28.6yrs
Life expectancy of a male / female age 60 (future pensioner)	28.1yrs / 30.2yrs	28.3yrs / 30.3yrs
Other linked assumptions		
Price inflation (CPI)	1.90%	2.00%
Pension increases (RPI with a minimum of 3% and maximum of 5%)	3.60%	3.60%
Pension increases (RPI with a maximum of 10%)	3.00%	3.10%
Salary growth	n/a	n/a

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Components of defined benefit costs recognised in profit or loss	(0.2)	(0.2)
	(0.2)	**(0.2)**

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

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Return on Plan assets excluding Interest Income	1.8	18.7
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains/(losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
	10.8	**(0.5)**

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

	30 June 2018 £m	30 June 2017 £m
Fair value of Plan assets	239.0	241.1
Present value of defined benefit Plan liabilities	(218.4)	(234.0)
Surplus at 30 June	**20.6**	**7.1**

The Company have considered the impact of IFRIC14 and in line with the Plan's Rules, the Company 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 2018 £m	Year ended 30 June 2017 £m
Surplus at 1 July	7.1	7.4
Amount recognised in expense	0.2	0.2
Amount recognised in Other Comprehensive Income	10.8	(0.5)
Company contributions	2.5	-
Surplus at 30 June	**20.6**	**7.1**

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
1 July	(234.0)	(216.0)
Contributions by employees	(0.7)	(0.2)
Interest cost	(6.4)	(6.6)
Benefits paid	13.7	8.0
Experience gains arising on the Plan's liabilities	4.4	1.0
Actuarial gains/(losses) arising from changes in financial assumptions	3.3	(26.9)
Actuarial gains arising from changes in demographic assumptions	1.3	6.7
30 June	**(218.4)**	**(234.0)**

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

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
1 July	241.1	223.4
Interest income	6.6	6.8
Return on Plan assets excluding interest income	1.8	18.7
Contributions by employer	2.5	-
Contributions by employees	0.7	0.2
Benefits paid	(13.7)	(8.0)
30 June	**239.0**	**241.1**

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

	30 June 2018 £m	30 June 2017 £m
Equity instruments	85.5	85.1
Diversified growth funds	18.8	19.3
Corporate bonds	20.0	65.4
Government bonds	112.2	70.9
Cash and equivalents	2.5	0.4
Total	**239.0**	**241.1**

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 Company's own financial instruments or any property occupied by, or assets used by, the Company.

Following the completion of the funding valuation as at 30 June 2017, Arqiva Limited agreed to pay deficit contributions of £5.9m during the financial year ending June 2019 and then £5.4m in each of the financial years ending June 2020 and 2021.

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 2018 year end results to changes in the three key assumptions is shown below:

Funding Position	Discount rate decrease of 0.1%	RPI increase of 0.1%	Longevity assumption increase of 1 year
Increase in Plan liabilities	£4.2m	£3.1m	£6.4m

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

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

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.

24 Share capital

	30 June 2018 £m	30 June 2017 £m
Authorised, allotted and fully paid:		
30,000,201 (2017: 30,000,201) ordinary shares of £1 each (2017: £1 each)	**30.0**	**30.0**

25 Share premium account

	£m
At 30 June 2017 and 30 June 2018	**90.8**

26 Financial commitments and contingent liabilities

Financing commitments

Under the terms of the Group's external debt facilities, the Company has provided security over substantially all of its tangible, intangible and other assets by way of a Whole Business Securitisation ('WBS') 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 2018 £m	30 June 2017 £m
Less than one year	45.4	44.3
Within one to five years	2.4	4.8
Total	**47.8**	**49.1**

Operating leases

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

	30 June 2018 £m	30 June 2017 £m
Less than one year	19.2	18.4
Within one to five years	57.5	59.1
After five years	68.7	76.6
Total future minimum operating lease payments	**145.4**	**154.1**

Other annual lease commitments in relation to transmission activities fall due as follows:

	30 June 2018 £m	30 June 2017 £m
Less than one year	1.1	1.7
Within one to five years	1.9	1.7
Total future minimum operating lease payments	**3.0**	**3.4**

27 Related party transactions

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 and key management personnel.

28 Controlling parties

The Company's immediate parent undertaking is Arqiva Holdings Limited ('AHL'). The ultimate parent undertaking is AGL, which is the parent undertaking of the largest group to consolidate these financial statements. The parent of the smallest group to consolidate these financial statements is AHL.

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

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