



Arqiva Services Limited

Registered number 03196207

**Annual Report and
Financial Statements**

For the year ended 30 June 2018

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Strategic report

The Directors, in preparing this Strategic report, have complied with section 414C of the Companies Act 2006.

Our Business Model

The principal activities of Arqiva Services Limited ('the Company') throughout the year have been that of a significant trading component of the Arqiva Group Limited ('AGL') group ('the Group'). The Group owns and operates a portfolio of communications infrastructure including TV and radio transmission services, site share to mobile network operators, machine-to-machine networks, Digital Platforms broadcast contracts and media services.

Financial position, performance and key performance indicators ('KPIs')

Our key performance indicators ('KPIs') reflect both a measure of the financial performance and long-term growth of the business, and the level of service provided to our customers.

The key measure of the Company's performance is EBITDA. EBITDA is a non-GAAP measure and refers to earnings before interest, tax, depreciation and amortisation and exceptional items. EBITDA for the year ended 30 June 2018 is £129.7m (2017: £136.3m).

The Company has net current assets of £813.1m (2017: £727.8m) and net assets of £1,256.5m (2017: £1,153.1m).

Risk management

Principal risks and uncertainties facing the business

The principal risks and uncertainties of the Company are consistent with those of the Group and are set out in full in AGL's annual report, a copy of which is available from the address given in note 23 to these financial statements or the Group's website at www.arqiva.com.

Future developments and market outlook

It is the intention of the Company to continue to invest in its business in accordance with the Group's strategy as set out in the AGL's annual report.

This report was approved by the Board of directors on 2 October 2018 and signed on its behalf by:


Frank Dangeard
Director

Directors' report and statement of Directors' responsibilities

The Directors of the Company, registered number 03196207, submit the following annual report and audited financial statements ('the financial statements') in respect of the year ended 30 June 2018. The Company's registered office is Crawley Court, Winchester, Hampshire SO21 2QA.

Financial risk management

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

Purchase price risk

Energy is a major component of the cost base and is subject to price volatility. A large proportion of this is managed via pass-through arrangements to customers. The residual exposure to fluctuations in the electricity price is managed by forward purchasing the majority of power requirements.

Liquidity risk

The Company is funded through reserves and intercompany debt; there is no external financing within this Company. The Group carefully manages the credit risk on liquid funds with balances currently spread across a range of major financial institutions which have satisfactory credit ratings assigned by international credit rating agencies. The levels of credit risk are monitored through the Group's on-going risk management processes, which include a regular review of the credit ratings. Risk in this area is limited further by setting a maximum level and term for deposits with any single counterparty.

Interest rate risk

Intercompany loan balances are maintained at fixed interest rates.

Dividends, transfers to reserves and results

The Company has not declared any dividends for the year to 30 June 2018 (2017: none). The profit for the financial year of £103.4m (2017: £75.8m) was transferred to reserves.

Events after the reporting period

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

Future developments and market outlook

It is the intention of the Company to continue to invest in its business in accordance with the Group's strategy as set out in AGL's annual report.

Arqiva Services Limited (03196207)

Annual Report and Financial Statements – year ended 30 June 2018

Directors

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

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

Company Secretary

Michael Giles resigned as Company Secretary on 1 January 2018, with Jeremy Mavor appointed as his replacement on the same date.

Directors' indemnities

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

Disclosure of information to the Independent Auditors

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

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

Independent Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Group Annual General Meeting.

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.


Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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 the 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, 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.

On behalf of the Board



Frank Dangeard
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

22 October 2018

Independent Auditors' report to the members of Arqiva Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arqiva Services 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2018; the Income statement and the Statement of Changes in Equity for the year then ended; 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 and statement of Directors' responsibilities, 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, Directors' Report and Statement of Directors' Responsibilities

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report and statement of Directors' responsibilities 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 and statement of Directors' responsibilities.

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 in respect of the financial statements set out on page 4, 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 (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

22 October 2018

Income Statement

	Note	Year ended 30 June 2018			Year ended 30 June 2017		
		Pre-exceptional items	Exceptional items ¹	Total	Pre-exceptional items	Exceptional items ¹	Total
		£m	£m	£m	£m	£m	£m
Revenue	5	373.3	-	373.3	357.9	-	357.9
Cost of sales		(213.5)	-	(213.5)	(195.2)	-	(195.2)
Gross profit		159.8	-	159.8	162.7	-	162.7
<i>Depreciation</i>	13	(36.5)	-	(36.5)	(34.2)	-	(34.2)
<i>Amortisation</i>	12	(0.2)	-	(0.2)	(0.2)	-	(0.2)
<i>Other operating expenses</i>	7	(30.2)	-	(30.2)	(26.3)	(5.9)	(32.2)
Total operating expenses		(66.9)	-	(66.9)	(60.7)	(5.9)	(66.6)
Operating profit	6,7	92.9	-	92.9	102.0	(5.9)	96.1
Finance costs	9	(21.1)	-	(21.1)	(20.3)	-	(20.3)
Profit before tax		71.8	-	71.8	81.7	(5.9)	75.8
Tax	0	31.6	-	31.6	-	-	-
Profit for the year		103.4	-	103.4	81.7	(5.9)	75.8

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

The Company has no other comprehensive income other than the profit stated above and therefore no separate statement of comprehensive income has been presented.

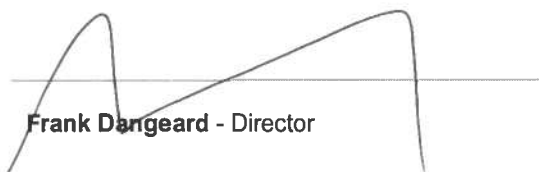
¹ Exceptional items are presented to assist with the understanding of the Group's performance. See note 7 for further information.

Statement of Financial Position

	Note	30 June 2018 £m	30 June 2017 £m
Non-current assets			
Goodwill	11	10.3	10.3
Intangible assets	12	0.7	0.9
Property, plant and equipment	13	295.9	324.3
Investments	14	303.5	303.5
Deferred tax	19	47.9	-
		658.3	639.0
Current assets			
Trade and other receivables	15	1,283.3	1,110.9
		1,283.3	1,110.9
Total assets		1,941.6	1,749.9
Current liabilities			
Other payables (including accruals and deferred income)	16	(468.9)	(381.9)
Provisions	18	(1.3)	(1.2)
		(470.2)	(383.1)
Net current assets		813.1	727.8
Non-current liabilities			
Borrowings	17	(139.7)	(127.1)
Other payables (including deferred income)	16	(52.1)	(64.7)
Provisions	18	(23.1)	(21.9)
		(214.9)	(213.7)
Total Liabilities		(685.1)	(596.8)
Net assets		1,256.5	1,153.1
Equity			
Share capital	20	287.0	287.0
Retained earnings		969.5	866.1
Total equity		1,256.5	1,153.1

The notes on pages 10 to 24 form part of these financial statements.

The financial statements on pages 7 to 24 were approved by the Board of Directors on 22 October 2018 and were signed on its behalf by:


Frank Dargeard - Director

Arqiva Services Limited (03196207)

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Statement of changes in equity

	Share capital	Retained earnings	Total equity
	£m	£m	£m
Balance at 1 July 2016	287.0	790.3	1,077.3
Profit for the year	-	75.8	75.8
Total comprehensive income	-	75.8	75.8
Balance at 30 June 2017	287.0	866.1	1,153.1
Profit for the year	-	103.4	103.4
Total comprehensive income	-	103.4	103.4
Balance at 30 June 2018	287.0	969.5	1,256.5

Notes to the financial statements

1 General Information

Arqiva Services Limited (“the Company”) is a private company limited by shares incorporated in England, United Kingdom (“UK”) under the Companies Act under registration number 03196207. 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 1.

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 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 following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes:

<u>EU-adopted IFRS</u>	<u>Relevant disclosure exemptions</u>
IFRS 7 <i>Financial Instruments: Disclosures</i>	All disclosure requirements.
IAS 1 <i>Presentation of financial statements</i>	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to 136. 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 7 <i>Statement of Cash Flows</i>	All disclosure requirements.
IAS 8 <i>Accounting policies, changes in accounting estimates and errors</i>	The requirements of paragraphs 30 and 31.
IAS 24 <i>Related Party Disclosures</i>	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 <i>Impairment of Assets</i>	The requirements of paragraphs 130 (f)(ii), 130(f)(iii), 134(d) to 134 (f) and 135(c) to 135 (e).
IFRS 13 <i>Fair Value Measurement</i>	The requirements of paragraphs 91 to 99

3 Principal accounting policies

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

(a) Exemption from consolidation

The Company is a wholly owned subsidiary of Arqiva Holdings Limited ('AHL') 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 financial statements.

(b) 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 Group and 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.

(c) Changes in accounting policy and disclosuresNew 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 but not yet effective:

		Effective for annual periods beginning on or after:	Effective for Arqiva year ending:
Amendments to IFRS 2	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 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

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 Group's operating lease commitments are shown in note 21.

IFRS 9 Financial Instruments will be effective for the Company 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 Company to date, there is not currently expected to be a material impact on the loss allowance recognised by the Group. The new standard will also introduce additional disclosure requirements for the Company.

IFRS 15 is effective for periods beginning from 1 January 2018 and is mandatory for the Company to adopt the standard for its year ended 30 June 2019. Comparative information in the 30 June 2019 financial statements will be restated to appropriately present the new standards and impact on initial recognition will be recognised through retained earnings. The new standard provides a more prescriptive framework toward revenue recognition and centres around five key revenue recognition steps:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocation of the contract price to the performance obligations; and
5. Recognise revenue as the performance obligations are satisfied.

Whilst these concepts are not new, the standard includes several clarifications to the interpretations of existing standards, focussing on the transfer of control of goods and services rather than the transfer of risks and rewards.

Management have performed an impact assessment on the adoption of IFRS 15. The impact is not expected to be material to the financial statements.

(d) 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 and tower site rental to mobile network operators.

Delivery of engineering projects

Revenue from the delivery of engineering projects, which are long-term (greater than 12 months) contractual arrangements, are recognised based on the percentage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract. Profit is recognised, if the final outcome can be assessed with reasonable certainty, by including revenue and related costs in the income statement as contract activity progresses. A loss on a fixed price contract is recognised immediately when it becomes probable that the contract cost will exceed the total contract revenue.

(e) Leases

Rentals payable under operating leases are charged to the Income Statement 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.

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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.

(f) 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.

(g) Property, plant and equipment

Property, plant and equipment are stated at original purchase cost (which includes costs directly attributable to bringing the assets into working condition), less accumulated depreciation and any provision for impairment.

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 land and buildings	20 - 80 years
Short leasehold land and buildings	Length of lease (typically between 20-80 years)
Plant and equipment	3 – 100 years

Freehold land is not depreciated.

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.

(h) 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

Acquired goodwill

The amount initially recognised for acquired goodwill is the original purchase cost incurred. Subsequently the acquired goodwill is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as other intangible assets acquired separately stated at original purchase cost less accumulated depreciation and any provision for impairment.

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.

(i) Impairment of non-financial assets

Arqiva Services Limited (03196207)

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At each reporting period 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.

(j) Investments in subsidiaries and joint ventures

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

(k) 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.

(l) Interest

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

(m) 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 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;

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:

- measurement of variable 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 above 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.

Useful lives for property, plant and equipment and intangibles

Key estimations:

The assessment of the useful economic lives of these assets requires estimation. Depreciation or amortisation is charged to the income statement based upon the useful lives selected. This assessment requires estimation of the period over which the 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 disclosures in note 12, and those for property, plant and equipment are disclosed in note 13.

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Provisions and contingent liabilities

Critical accounting judgements:

As disclosed in note 18, 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 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 21) through assessing the likelihood that a potential claim or liability will arise, and in quantifying the possible range of financial outcomes.

5 Revenue

Substantially all of the Company's revenue is generated from the rendering of services see note 3(d) for further information regarding the Company's accounting policy.

The following revenue was generated by the Company:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Rendering of services	316.9	311.4
Engineering projects	56.4	46.5
Revenue	373.3	357.9

All revenue relates to sales originating in the UK.

6 Operating profit

Operating profit is stated after charging:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Operating lease charges	32.9	27.9
Depreciation of property, plant and equipment	36.5	34.2
Amortisation of intangible assets	0.2	0.2
Management recharge from fellow Group company	30.2	27.4

The Company's audit fee for the year was £60,000 (2017: £60,000) and this was borne by Arqiva Limited, a fellow Group company.

The Company has received a management recharge in respect of various staff costs and central facilities and support costs from fellow Group company, Arqiva Limited. The management recharge from Arqiva Limited is included within administrative expenses within the income statement.

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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 Company, 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:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Operating expenses:		
Reorganisation	-	5.9
Total exceptional items	-	5.9

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

The expense amounts included within exceptional items above are deductible for the purpose of taxation. The profit on disposal of joint ventures is not subject to corporation tax as a result of the substantial shareholding exemption.

8 Employees and Directors

Employees

The Company had no employees during the year (2017: none). The Company pays a management charge in respect of various staff costs and central facilities and support costs met by other trading entities within the Group. The management recharge from the Group is included within the income statement.

Directors

There are no recharges (2017: £nil) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies.

The Directors are either representatives of the ultimate UK parent undertaking's shareholders or other Group companies and their individual remuneration reflects the services they provide to the Company and other Group companies. Whilst it has not been possible to make an accurate apportionment of the emoluments of the directors of the Company, the Company has received a recharge for the allocation of the senior executive management of Arqiva Group Limited. The senior executive management includes a number of directors of the Company.

9 Finance costs

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Other interest payable	6.9	7.8
Interest payable to Group companies	12.7	11.5
Total interest expense	19.6	19.3
Unwinding of discount on provisions (see note 18)	1.5	1.0
Total finance costs	21.1	20.3

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10 Tax

UK Corporation tax is calculated at the weighted average rate of 19% (2017: 19.75%) of the estimated taxable profit for the year.

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Current tax:		
UK corporation tax		
- Current year	16.3	-
	16.3	-
Deferred tax:		
Origination and reversal of timing differences	(3.8)	(5.1)
Change in unrecognised deferred tax asset	3.8	3.0
Recognition of deferred tax asset	(47.9)	-
Impact of rate change	-	2.1
	(47.9)	-
Tax credit for the year	(31.6)	-

The credit for the year can be reconciled to the profit in the income statement as follows:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Profit before tax	71.8	75.8
Tax at the UK Corporation tax rate of 19% (2017: 19.75%)	13.6	15.0
Tax effect of expenses not deductible for tax purposes	-	0.2
Tax effect of Income not taxable	(1.5)	-
Change in unrecognised deferred tax asset	3.8	3.0
Recognition of previously unrecognised deferred tax asset*	(47.9)	-
Impact of rate change	0.4	2.9
Tax loss received for nil consideration	-	(21.1)
Total tax credit for the year	(31.6)	-

The main rate of UK corporation tax remained at 19% during the period and a 19% blended tax rate (2017: 19.75%) has therefore been used for the reconciliation of total tax. UK deferred tax has been valued at 17% (2017: 17%) as this is the substantively 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.

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11 Goodwill

	£m
Cost:	
At 1 July 2016, 30 June 2017 and 30 June 2018	10.3
Accumulated impairment losses:	
At 1 July 2016, 30 June 2017 and 30 June 2018	-
Carrying amount:	
At 30 June 2018	10.3
At 30 June 2017	10.3

12 Other intangible assets

	Licences £m	Software £m	Total £m
Cost			
At 1 July 2016 and 30 June 2017	0.2	5.8	6.0
At 30 June 2018	0.2	5.8	6.0
Accumulated amortisation			
At 1 July 2016	0.1	4.8	4.9
Amortisation	-	0.2	0.2
At 30 June 2017	0.1	5.0	5.1
Amortisation	-	0.2	0.2
At 30 June 2018	0.1	5.2	5.3
Carrying amount			
At 30 June 2018	0.1	0.6	0.7
At 30 June 2017	0.1	0.8	0.9

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

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13 Property, plant and equipment

	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Total
	£m	£m	£m	£m
Cost				
At 1 July 2016	64.8	16.2	890.5	971.5
Additions	1.0	0.6	18.6	20.2
Disposals	-	-	(2.8)	(2.8)
Transfers to/from other Group companies	-	-	(4.0)	(4.0)
At 30 June 2017	65.8	16.8	902.3	984.9
Additions	1.5	-	6.8	8.3
Disposals	(0.2)	-	(13.8)	(14.0)
At 30 June 2018	67.1	16.8	895.3	979.2
Accumulated depreciation				
At 1 July 2016	25.3	8.1	599.8	633.2
Depreciation	1.9	0.7	31.6	34.2
Disposals	-	-	(2.8)	(2.8)
Transfers to/from other Group companies	-	-	(4.0)	(4.0)
At 30 June 2017	27.2	8.8	624.6	660.6
Depreciation	2.0	0.7	33.8	36.5
Disposals	-	-	(13.8)	(13.8)
At 30 June 2018	29.2	9.5	644.6	683.3
Carrying amount				
At 30 June 2018	37.9	7.3	250.7	295.9
At 30 June 2017	38.6	8.0	277.7	324.3

Freehold land included above but not depreciated amounts to £6.8m (2017: £6.8m).

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 21).

During the year, £nil (2017: £nil) of interest was capitalised. The carrying value of capitalised interest included within property, plant and equipment was £5.6m (2017: £6.0m).

14 Investments

	Investments in associate	Investments in subsidiaries	Total
	£m	£m	£m
Cost			
At 1 July 2017 and 30 June 2018	0.1	382.3	382.4
Provision for impairment			
At 1 July 2017 and 30 June 2018	-	(78.9)	(78.9)
Net book value			
At 30 June 2018	0.1	303.4	303.5
At 30 June 2017	0.1	303.4	303.5

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

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

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Aerial UK Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Aerial Sites Limited	United Kingdom	Management of aerial sites	30-Jun	100%
Arqiva Broadcast Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Digital Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Finance Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Mobile Broadcast Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Mobile TV Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva No. 2 Limited	United Kingdom	Transmission services	30-Jun	100% (held directly)
Arqiva No. 3 Limited	United Kingdom	Transmission services	30-Jun	100%
Arqiva No. 4 Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Pension Trust Limited	United Kingdom	Dormant company	31-Mar	100% (held directly)
Arqiva Public Safety Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Satellite Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Telecommunications Asset Development Company Limited	United Kingdom	Dormant company	30-Jun	100% (held directly)
Arqiva Transmission Limited	United Kingdom	Dormant company	30-Jun	100%
Arqiva Wireless Limited	United Kingdom	Dormant company	30-Jun	100%

With the following exceptions, the registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA:

Company	Country of incorporation	Principal activities	Registered office	Year end	Percentage of ordinary shares held
Associate undertakings:					
Muxco Limited	United Kingdom	Bidding for UK DAB digital radio multiplex licences	96a, Curtain Road, London, EC2A 3AA	31-Dec	25.0%
DTT Multiplex Operators Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Mar	25.0%
Digital UK Limited	United Kingdom	Transmission services	27 Mortimer Street, London, England, W1T 3JF	31-Dec	25.0%
DTV Services Limited	United Kingdom	Freeview market services	2nd Floor 27 Mortimer Street, London, England, W1T 3JF	31-May	20.0%

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15 Trade and other receivables

	30 June 2018	30 June 2017
	£m	£m
Amounts receivable from other Group entities	1,230.8	1,048.1
Other receivables	20.4	28.4
Prepayments	17.3	16.6
Accrued income	14.8	17.8
Total trade and other receivables	1,283.3	1,110.9

Amounts receivable from other Group entities arise through trading with other entities within the group. These amounts are unsecured, interest free and repayable on demand.

16 Other payables

	30 June 2018	30 June 2017
	£m	£m
Within current liabilities:		
Amounts payable to other Group entities	348.6	255.1
Accruals	47.8	55.8
Deferred income	72.5	71.0
Total current other payables	468.9	381.9
Within non-current liabilities		
Deferred income	52.1	64.7
Total non-current other payables	52.1	64.7

Amounts payable to other Group entities arise from trading with other entities within the Group. These amounts are unsecured, interest free and are repayable on demand.

Accruals and deferred income principally comprise amounts outstanding for ongoing costs and amounts received from customers in advance respectively.

17 Borrowings

	30 June 2018	30 June 2017
	£m	£m
Within non-current liabilities:		
Loans from Group undertakings	139.7	127.1
Borrowings due after more than one year	139.7	127.1

All borrowings are denominated in sterling.

The balance payable to other Group undertakings as at 30 June 2018 represents a loan note of £139.7m which consists of a principal of £68.6m with accrued interest of £71.1m (2017: £127.1m - a principal of £68.6m with accrued interest of £58.5m) with Arqiva Telecoms Investment Limited ('ATIL'). The loan is repayable in 2033 and interest has been calculated on the balance at 9.5% (2017: 9.5%), accruing monthly.

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18 Provisions

	Decommissioning £m	Remediation and maintenance £m	Total £m
At 1 July 2017	23.0	0.1	23.1
Addition created through property, plant and equipment	(0.2)	-	(0.2)
Amounts charged to profit and loss account	0.1	-	0.1
Unwind of discount	1.4	-	1.4
At 30 June 2018	24.3	0.1	24.4

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

	30 June 2018 £m	30 June 2017 £m
Analysed as:		
Current	1.3	1.2
Non-current	23.1	21.9
	24.4	23.1

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 18 years.

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 two years.

19 Deferred tax

The Company has recognised a deferred tax asset of £47.9m (2017: £nil).

	Fixed asset temporary differences £m	Total £m
At 30 June 2017	-	-
Credited to the income statement	47.9	47.9
At 30 June 2018	47.9	47.9

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 10, 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 £40.7m in respect of fixed asset temporary differences.

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.

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 £47.9m 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.

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20 Share capital

	30 June 2018	30 June 2017
	£m	£m
Allotted and fully paid:		
287,030,000 ordinary shares (2017: 287,030,000) of £1 each (2017: £1 each)	287.0	287.0

21 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 were £nil (2017: £nil).

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	30 June 2017
	£m	£m
Less than one year	12.9	11.5
Within one to five years	33.3	30.3
After five years	56.3	57.6
Total future minimum operating lease payments	102.5	99.4

22 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.

23 Controlling parties

The Company's immediate parent undertaking is Arqiva Holdings Limited ('AHL'). Copies of the AHL financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA.

The ultimate UK 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.