

**Macquarie UK Broadcast
Holdings Limited**

Registered number 05254001

**Network Access and Managed
Transmission Services Financial
Statements**

For the year ended 30 June 2009

Produced in accordance with Section 15 of the
Undertakings given to the Competition Commission

Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2009

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Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2009

Directors' report

The Directors of Macquarie UK Broadcast Holdings Limited ('MUKBHL') and its subsidiaries ('the Group') submit the following Financial Statements for its Network Access and Managed Transmission Services activities, in respect of the year ended 30 June 2009.

On 11 March 2008, the Competition Commission announced its decision to allow the merger of the National Grid Wireless ('NGW') and Arqiva group of companies, subject to compliance with certain undertakings ('Undertakings'). Section 15 of the Undertakings requires the merged companies to maintain appropriate accounting records to enable them to prepare annual statements of revenues, costs and assets employed for each of the Managed Transmission Services ('MTS') and Network Access ('NA') activities. These are known as the Network Access and Managed Transmission Services Financial Statements ('Financial Statements').

The Financial Statements relate to the year ending 30 June 2009. This is a variation to paragraph 15.1 of the Undertakings which requires the Financial Statements to report from the commencement date (1 September 2008) to 30 June 2009. This variation has been made in order to match the availability of underlying accounting records and facilitate the required reconciliation between the Financial Statements and the consolidated statutory financial statements of MUKBHL.

Appendix 14 of the Undertakings sets out the proposed format of the Financial Statements, which has been further developed to be consistent with common practice in regulatory reporting in comparable industries.

As permitted in Sections 15.1 and 15.10 of the Undertakings, these amendments have been completed in consultation with, and following the approval of, the Office of the Adjudicator – Broadcast Transmission Services ('OTABTS').

Statement of Directors' responsibilities

In accordance with Section 15.3 of the Undertakings to the Competition Commission, the Directors confirm:

- that the Network Access and Managed Transmission Services Financial Statements are based on information properly extracted from MUKBHL's accounting records;
- that the attribution methodologies set out in the separate document entitled 'Arqiva - Regulatory Accounting Principles and Attribution Methods' have been applied appropriately.

The Directors also confirm:

- that the Network Access and Managed Transmission Services Financial Statements have been properly prepared on the basis of consistent application of the appropriate Generally Accepted Accounting Practice across the Group;
- that the Group's accounting records and relevant meeting minutes have been made available to PricewaterhouseCoopers LLP as required for the purposes of their audit.

The maintenance and integrity of the Group's web site is the responsibility of the Directors and the maintenance and integrity of the Office of the Adjudicator's web site is the responsibility of the Adjudicator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web sites.

Legislation in the United Kingdom governing the preparation and dissemination of such Financial Statements may differ from legislation in other jurisdictions.

By order of the Board



Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

30 November 2009

Independent Accountants' report to Macquarie UK Broadcast Holdings Limited and the Adjudicator appointed by Ofcom

We have audited the Network Access and Managed Transmission Services Financial Statements ('Financial Statements') of Macquarie UK Broadcast Holdings Ltd ('the Company') on pages 4 and 5 which comprise the Profit and Loss Account, the Balance Sheet, and the Reconciliation to the Statutory Consolidated Profit and Loss Account and Balance Sheet.

This report is made, on terms that have been agreed, solely to the Company and the Adjudicator appointed by Ofcom (the 'Adjudicator') in order to meet the requirements of the Undertakings to the Competition Commission by the Company, Macquarie MCG International Ltd, Macquarie European Infrastructure Fund II, Macquarie European Infrastructure Fund III and Macquarie Capital Funds (Europe) Ltd on 1 September 2008 ('the Undertakings'). Our audit work has been undertaken so that we might state to the Company and the Adjudicator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Undertakings to procure such a report and (b) to facilitate the carrying out by the Adjudicator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Adjudicator, for our audit work, for this report or for the opinion we have formed.

Basis of preparation

The Financial Statements are separate from the statutory financial statements of the Company and its subsidiaries and have not been prepared solely under the basis of Generally Accepted Accounting Principles in the United Kingdom ('UK GAAP'). The Financial Statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) by disaggregating balances recorded in the general ledgers and other accounting records of the Company and its subsidiaries ('the Group') in accordance with sections 15.1 and 15.2 of the Undertakings and the Regulatory Accounting Principles and Attribution Methods ('RAPAMs') dated 17 November 2009.

Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 2006.

Respective responsibilities of the Adjudicator, the Directors and Auditors

The nature, form and content of Financial Statements are determined by the Adjudicator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Adjudicator's purposes. Accordingly we make no such assessment.

The Directors' responsibilities for preparing the Financial Statements in accordance with paragraphs 15.1 and 15.2 of the Undertakings are set out in the Statement of Directors' responsibilities on page 1.

Our responsibility is to audit the Financial Statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except as stated in the 'Basis of audit opinion', below and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities'.

We report our opinion as to whether the Financial Statements are properly prepared in accordance with paragraphs 15.1 and 15.2 of the Undertakings and RAPAMs, with the exception of the requirement in 15.1 to consider whether the Financial Statements fairly represent the state of the businesses' affairs to which they relate, which is replaced, for this reporting period, with our opinion on whether the Financial Statements have been properly prepared in accordance with the RAPAMs which are required to be maintained by the Company in accordance with paragraphs 15.1 and 15.5 of the Undertakings.

We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

As explained in the 'Principal accounting policies' on page 8, the Company has prepared the Financial Statements by disaggregating balances recorded in the general ledgers and other accounting records of the Company and its subsidiaries ('the Group') maintained in accordance with the Companies Act 2006 and used, in accordance with that Act, for the preparation of the Company's statutory consolidated financial statements for the year ended 30 June 2009 ('the Statutory Accounts').

PricewaterhouseCoopers LLP audited the Statutory Accounts of the Company and its subsidiaries on which they expressed unqualified audit opinions. In conducting our subsequent examination of the Financial Statements, and in providing the opinion below, we have not performed any additional tests of the transactions and balances which are

Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2009

recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audits of the Statutory Accounts.

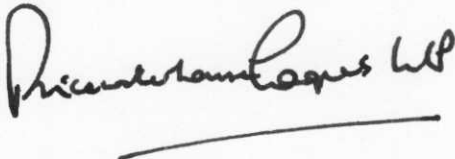
Having regard to the above, we conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board except as noted below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. We planned and performed our examination so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are properly prepared in accordance with the relevant aspects of paragraph 15.1 of the Undertakings, paragraph 15.2 of the Undertakings and RAPAMs. The RAPAMs are required to be maintained by the Company in accordance with paragraphs 15.1 and 15.5 of the Undertakings.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material mis-statement, whether caused by fraud or other irregularity or error. However, as the nature, form and content of Financial Statements are determined by the Adjudicator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Our opinion on the Financial Statements is separate from our opinion on the Statutory Accounts of the Company on which we reported on 19 October 2009, which are prepared for a different purpose. Our audit report in relation to the Statutory Accounts of the Company (our 'Statutory' audit) was made solely to the Company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a Statutory auditor's report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company's members as a body, for our Statutory audit work, for our Statutory audit report, or for the opinions we have formed in respect of that Statutory audit.

Opinion

In our opinion the Financial Statements are properly prepared in accordance with the relevant aspects of paragraphs 15.1 and 15.2 of the Undertakings and the RAPAMs dated 17 November 2009.



For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 November 2009

Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2009

Profit and loss account

	Network Access	Managed Transmission Services
	£'000	£'000
Total TV revenue	47,684	76,572
Total Radio revenue	38,884	17,087
Total revenue	86,568	93,659
Rent and rates	(11,666)	-
Power (see footnote)	(300)	-
Circuits	-	(4,479)
Maintenance	(7,593)	(7,725)
Satellite capacity	-	(158)
Cost of Sales	(19,559)	(12,362)
Operating costs	(16,684)	(15,599)
Facilities recharge	(618)	(417)
Depreciation	(16,155)	(22,461)
Total operating costs	(33,457)	(38,477)
Exceptional costs	(3,895)	(4,476)
Operating result	29,657	38,344

Power footnote:

This represents the unavoidable power costs associated with the provision of masts, including but not limited to mast beacons and security. Power costs associated with the provision of individual services are included in the "other" business (see page 6) on the basis that they are charged to customers on a pass-through basis with no mark up and could be sourced from suppliers directly by customers.

The power costs passed on to customers amounts to £21,377,000 and if it were to be included in the MTS business it would affect revenues and costs of sales equally and opposite.

Macquarie UK Broadcast Holdings Limited

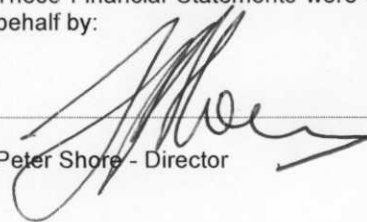
Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2009

Balance sheet

	Network Access	Managed Transmission Services
	£'000	£'000
Fixed Assets	524,321	180,633
Current Assets		
Debtors: amounts falling due within one year	16,067	11,186
Cash at bank and in hand	4,258	5,450
Total Current Assets	20,325	16,636
Creditors: amounts falling due within one year	(40,508)	(27,124)
Net Current Liabilities	(20,183)	(10,488)
Total Assets less Current Liabilities	504,138	170,145
Creditors: amounts falling due after more than one year	(3,751)	(3,972)
Provisions for liabilities and charges	(12,907)	-
Capital Employed	487,480	166,173

The reconciliations to the statutory consolidated accounts and the accounting policies and notes on pages 6 - 8 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 30 November 2009 and were signed on its behalf by:


Peter Shore - Director

Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2009

Reconciliation to Statutory Consolidated Profit & Loss Account

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	£'000	£'000	£'000	£'000
Revenue	86,568	93,659	625,293	805,520
Cost of Sales	(19,559)	(12,362)	(324,916)	(356,837)
Operating Costs	(17,302)	(16,016)	(111,302)	(144,620)
Depreciation	(16,155)	(22,461)	(40,874)	(79,490)
Exceptional Costs	(3,895)	(4,476)	(19,788)	(28,159)
Operating Result	29,657	38,344	128,413	196,414
Amortisation				(154,374)
Share of operating profit in associates				256
Interest payable and similar charges				(254,442)
Interest receivable and similar income				6,477
Profit before tax				(205,669)
Tax on loss on ordinary activities				21,840
Loss for the year				(183,829)

Macquarie UK Broadcast Holdings Limited

Network Access and Managed Transmission Services Financial Statements - Year ended 30 June 2009

Reconciliation to Statutory Consolidated Balance Sheet

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	£'000	£'000	£'000	£'000
Fixed Assets	524,321	180,633	635,286	1,340,240
Current Assets	20,325	16,636	153,945	190,906
Total Current Assets	20,325	16,636	153,945	190,906
Creditors: amounts falling due within one year	(40,508)	(27,124)	(314,463)	(382,095)
Net Current Liabilities	(20,183)	(10,488)	(160,518)	(191,189)
Total Assets less Current Liabilities	504,138	170,145	474,768	1,149,051
Creditors: amounts falling due after more than one year	(3,751)	(3,972)	(85,292)	(93,015)
Provisions for liabilities and charges	(12,907)	-	(22,182)	(35,089)
Capital Employed	487,480	166,173	367,294	1,020,947
Assets/Liabilities excluded for regulatory reporting purposes				
Intangible fixed assets including goodwill				2,609,924
Investments in JVs/Associates				7,989
JV receivables				1,607
Short term debt				(63,588)
Long term debt				(3,378,865)
Provisions for pension liabilities				(614)
Corporate & deferred tax				(21,744)
Pension deficit				(7,229)
Total Capital Employed				168,427

Notes to the Financial Statements

1 Principal accounting policies

(a) Basis of preparation

The reporting requirements set out in the Undertakings differ from the way in which Arqiva is organised for management and statutory reporting purposes. As such, the Financial Statements are derived from the general ledger used to prepare the consolidated MUKBHL statutory accounts, which capture all of the Group's businesses, with the reporting requirements of the Undertakings overlaid.

MUKHBL maintains its core accounting records in a manner which allows for revenues, costs, assets and liabilities to be attributed either directly or indirectly to the Network Access and Managed RAPAMS and established practice.

The Financial Statements analyse MUKHBL's activities into three core categories: 'Network Access', 'Managed Transmission Services' and 'Other'. The revenues, costs, assets and liabilities for the 'Other' category are arrived at by deducting the total of the Network Access and Managed Transmission Services from the total balances of MUKBHL and therefore represent the remainder of the Group's business.

The Financial Statements exclude the share of results of the Joint Venture 'Arts Alliance Media Investment Limited', a non-regulated part of the business.

The Financial Statements also include a reconciliation to the consolidated statutory accounts for MUKBHL on pages 6 and 7.

These Financial Statements have been prepared in accordance with the accounting policies set out in the consolidated statutory accounts for MUKBHL, together with Arqiva's Regulatory Accounting Policies & Attribution Methods ('RAPAMs') dated 17 November 2009.

The RAPAMs will be updated at least annually, in consultation with and with the approval of the OTABTS, in order to reflect both operational and accounting changes in the Group.

(b) Fixed asset revaluations

Fixed assets are held at cost, modified for the fair value of those assets acquired through business combination. Section 2.4.4 of the RAPAMs sets out the most recent dates at which fair value exercises were undertaken.

In the first year of preparation of the Financial Statements, fixed assets are reported at the fair value held in the consolidated statutory accounts.

(c) Prior year comparatives

As this is the first year these Financial Statements have been prepared, no prior year comparatives exist (as is noted in Appendix 14 of the Undertakings). However, the statements have been prepared on a twelve month basis (consistent with the common ownership of the former National Grid Wireless and Arqiva Companies) to allow for meaningful year-on-year analysis in subsequent periods.