SCHEDULE 7
FORM OF INVESTOR REPORT/QUARTERLY INVESTOR REPORT

To: The Issuer Security Trustee, the Rating Agencies and the Paying Agents

General Overview
The Group is the UK’s national provider of essential terrestrial television and radio broadcast infrastructure as well as a key provider of communications services to major distributors of media and wireless voice and data services in the UK. The Group’s core tower business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which management estimates constituted circa two-thirds of the Group’s gross profits for the year ended 30 June 2014), supported by strong market positions, diverse revenue streams, long-life assets and a significant proportion of revenues coming from long term contracts.

The Group has the following key competitive positions:

- regulated position as the sole UK national provider of network access (NA) and managed transmission services (MTS) for terrestrial television broadcasting, the most popular television broadcast platform in the UK. The Group owns and operates all television transmission towers used for digital terrestrial television (DTT) broadcasting in the UK and has long-term contracts with public service broadcaster (PSB) customers (who depend on the Group to meet the obligations under their licences to extend coverage to 98.5% of the UK population) as well as commercial broadcasters. The Group upgraded the UK’s DTT network through the £600m digital switchover (DSO), which it completed within budget and on schedule in October 2012;

- market leader for commercial spectrum used for transmission of digital terrestrial television (DTT), owning two of the three commercial SD Multiplexes (out of a total of six existing DTT Multiplexes covering both SD and HD) plus two new High Definition (HD) capable DTT (DVB-T2) Multiplexes (recently awarded for additional HD/SD services on Freeview in the DVB-T2 format – i.e. Freeview HD compatible sets). DTT video streams in the UK are more valuable to broadcasters than either satellite and cable video streams, due to DTT’s more extensive viewer coverage and more limited supply of commercial channels as compared to approximately 250 channels on cable and 500 on satellite;

- ownership for over 90% of the radio transmission towers for terrestrial broadcasting in the UK and operator of the sole, existing national commercial digital radio Multiplex and, as at 30 September 2014, 26 of the 59 local radio Multiplexes;

- largest independent (non-MNO) portfolio of wireless tower sites in the UK, which are licensed to national Mobile Network Operators (MNOs) and other wireless network operators. The Group has approximately 25% of the total active licensed wireless tower site market and, the Group believes, approximately four times the active licensed wireless tower sites of the next largest independent operator as at 30 September 2014. It holds a strong and difficult-to-replicate position in rural and suburban areas where cost, economies of scale, planning permission restrictions and regulations that limit a landlord's ability to terminate the leases for the Group's sites provide barriers to entry for competitors;

- sole provider for smart metering communication services in Northern England and Scotland to provide a network to connect smart meters to DCC Systems (Data and Communications Company, a body licensed by statute) for approximately 9.3 million homes. Building on the recent success securing the smart metering communication services contract, Arqiva has also
established a Smart Metering M2M (machine to machine) business division to address opportunities in the smart metering and grid, and machine-to-machine market. In April 2014 Arqiva announced the signature of a partnership deal with SIGFOX, a leading international Internet of Things business, and has begun the construction of the UK’s first national low-power, low-bandwidth Internet of Things (IoT) network using SIGFOX technology;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK in terms of the number of channels uplinked for UK Direct-to-Home (DTH) satellite broadcast that serves as an alternative for customers who do not wish to use BSkyB's uplinking services or who choose to use Arqiva as an uplink provider to their own UK DTH satellite capacity. The Group has over 40% market share in terms of the number of transponders accessed from their uplink infrastructure as at 30 September 2014;

- one of the largest providers of WiFi in the UK with circa 26,000 deployed access points, and provision of WiFi services in 35 airports and 10 London boroughs; and

- a significant proportion of revenue from long-term contracts with automatic RPI-linked increases.

**Historic business developments**

**Smart metering rollout progress**

In September 2013, Arqiva signed a 15-year contract with the Data and Communications Company (the DCC, a body licensed by statute) to provide communications infrastructure to connect smart meters to DCC Systems for approximately 9.3 million homes and small businesses in Scotland and northern England.

In the twelve months since the award of the contract, Arqiva has consistently met all of its contracted milestones on time. Work is underway to establish the communications network with 139 of the total radio sites already acquired to date and ready for equipment installation. In the three months ended 30 September 2014 the Group recognised £9.2m revenues relating to project management services provided by Arqiva Limited, within the WBS financing group, to Arqiva Smart Metering Limited (ASML) including revenues in relation to progress towards the completion of the design and development milestone, as part of the construction of the network infrastructure.

Arqiva has also established its two data centres, with equipment installed, powered up and accepted. The implementation achievements to date enable Arqiva to start testing its solution. Our next coverage milestone of 25% population coverage by the end of calendar year 2014 remains on track.

**4G rollout**

The four main MNOs are all increasing their 4G network capability. Arqiva in turn is being contracted to carry out a large volume of antenna and feeder upgrade projects for our customers. As a result Arqiva will report a significant increase in Installation Services revenue this year and next year compared to the year ended 30 June 2014.

**Mobile infrastructure project update**

The Mobile Infrastructure Project (MIP) is a strategic programme funded by the Government with the ultimate goal of providing service to areas without any mobile coverage services ('not-spots'). In May 2013, Arqiva was awarded the contract for the project by the Department of Culture and Media and Sport (DCMS) to provide mobile network planning and deployment services to build infrastructure
(cellular and backhaul transmission) which the Mobile Network Operators (MNO) will utilise. The DCMS intends to invest up to £150m to improve mobile coverage.

Initial work on the programme has taken longer than anticipated due to the external challenges of bringing coverage to such rural and remote areas. The main challenges were difficulties in getting backhaul into the MNOs’ networks and identifying not spot areas that should be covered under the project. The build part of the programme is now ramping up very fast and the Group expects over 100 sites to be at an advanced stage of build and completion by the end of the current financial year.

700 MHz spectrum usage update

The DTT platform currently uses spectrum in the 470-790MHz bands. In May 2014, Ofcom published a consultation on the future use of the 700 MHz band for mobile data use along with a discussion document on Free To View TV. Arqiva submitted its response to Ofcom’s consultation at the end of August 2014 and also provided a joint response with Digital UK shareholders including the Public Service Broadcasters. The response highlights the requirement to protect the DTT platform and 600 MHz spectrum for TV use.

In September 2014 the Group also contracted with Ofcom to undertake a capability assessment to identify the work required to modify the existing DTT network infrastructure to meet the requirements for the 700MHz Clearance. From this assessment, the Group will provide Ofcom with the output reports during the current financial year detailing the technical requirements and costs for the programme. This information will then be used to develop the final plans for the 700 MHz Clearance programme.

BBC new radio agreement (NRA) update

The Group has been progressing with the delivery of the programme under the BBC New Radio Agreement (NRA). We successfully transitioned the analogue and digital radio services to the new service and reporting levels required by the NRA in October 2013. Since then we have been upgrading the analogue network as well as building out the Phase 4 BBC National DAB network. As at 1 October 2014, Arqiva had put 48 new transmitters on air increasing the BBC’s UK DAB network coverage from 93% to 95%. By the time the project is completed in December 2015, the BBC national DAB network will reach 97% of the population via a total of 392 transmitters.

Second national DAB multiplex

In July 2014 Ofcom launched a process to offer a second national commercial multiplex. The Group intends to bid for the licence, as part of a joint venture with Bauer and UTV.

Separately, as part of the requirement for the new national DAB multiplex, the Group has also provided a Reference Offer for Network Access and Managed Transmission Services, which has been made available to all bidders. The submission date for licence bids has been extended by Ofcom to the end of January 2015 with a decision expected in Spring 2015.

Regulatory and business update

Other than as set out above in “Historic business developments”, there are no other significant regulatory or business developments during the quarter ending 30 September 2014.

Maintenance Capex Expenditure

Maintenance capital expenditure of £4.4m comprised of maintenance of site infrastructure and the IT estate in both periods. The spend was £2.0m higher in the prior period, due to significant IT
upgrades. In the prior year there were also significant maintenance costs incurred as part of the development of a number of corporate sites.

**Growth Capex Expenditure**
Contracted growth spend is capital expenditure that is incurred to deliver revenues which is supported by a signed customer contract. This totalled £29.4m compared with the prior year period of £15.1m primarily due to the spend on the Smart metering north contract. Non-contracted growth is capital expenditure that is incurred to deliver revenues and which is supported by a business case but on which there is no signed customer contract at the time at which it is incurred and reported. In the current period this totalled £1.6m compared with the prior year period of £2.1m.

**Financing**
During July 2014, the Group completed a new 15-year amortising, floating rate US Private Placement debt issue raising £300.0m which has been used to pay down the 5-year term bank facility, leaving only £355.5m outstanding from original bank term loans of £1,586.0m taken out as part of the February 2013 refinancing. At the same time, the Group restructured Interest Rate Swaps (IRS) with a £300m nominal value to match exactly the amount outstanding on the new amortising US Private Placement. As part of the restructure, the IRS in ASF (Arqiva Senior Finance Limited) were terminated which resulted in a Mark-to-Market termination payment of £100.5m. This has been reported as exceptional financing expenses in the ABPL and AGPL accounts. The termination payment was entirely funded by the £100.5m premium received from entering into a replacement IRS in AF1 (Arqiva Financing No. 1 Limited).

**Acquisitions and Disposals**
For the three months ended 30 September 2014, the cash flow from the Group’s acquisitions and disposals was an outflow of £nil.

**Confirmations**
We confirm that:

(a) no Default or Trigger Event has occurred and is continuing; and

(b) the statements set out in this Quarterly Investor Report are accurate in all material respects.

**Current Hedging Position**

**Off-Balance Sheet Arrangements**
The Group does not, and has not used off-balance sheet special purpose vehicles or similar financing arrangements on an historical basis. In addition, the Group has not had and does not have off-balance sheet arrangements with any of its affiliates.

The Group uses Interest Rate Swaps (‘IRS’), Inflation Linked Swaps (‘ILS’) and cross-currency swaps to reduce its exposure to fluctuations in variable interest rates on its debt and currency movements on its US dollar debt. Receipts, payments and accreting liabilities on interest rate and inflation swaps are recognised on an accruals basis, over the life of the instrument. Changes in the fair value of such derivatives are not required to be recognised under UK GAAP, but are instead disclosed in the notes. Amounts received and paid under the swaps are shown at net value under financing costs, where they are part of the same legal agreement and settled at net value in practice. Accreting liabilities on ILS are recognised on an accruals basis. The Group also utilises
forward purchase contracts to hedge certain foreign currency transactions. The changes in the fair value of such derivatives are not recognised, and the gain or loss on settlement is taken to the profit and loss account.

Inflation linked swaps (ILS)
£1,312.5m of fixed rate debt is hedged via three classes of ILS which either directly or via overlay swaps, fix interest at an average rate of 2.95% (at February 2013), indexed with RPI. In addition, the principal amount of these swaps increases with RPI. One class of these swaps with a nominal value of £235.0m has a 10 year mandatory break clause, whilst the remaining two classes are break-free.

The maturity date for all three classes of ILS is April 2027. The accretion of £69.7m at September 2014 will be settled in cash at 30 June 2015 together with the further accretion to that date.

Interest rate swaps (IRS)
£1,023.2m of variable rate debt is now hedged via four tranches of interest rate swaps contracted by ASF and AF1 at an average fixed rate of 6.2125%. The ASF interest rate swaps (nominal value £353.5m) have mandatory break clauses in 2018 co-terminus with the ASF variable rate bank debt. The interest rate swaps held by AF1 (combined nominal values of £670.0m) have maturity dates co-terminus with the Institutional Term Loan (‘ITL’), EIB and US Private Placement £300m loans.

Cross Currency Swaps
AF1 has entered into USD 358.0m of cross-currency swaps to fix the Sterling cost of future interest and capital repayment obligations relating to the USD tranche of the Private Placement at an exchange rate of 1.52.

Yours faithfully,

CFO

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower