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 main national commercial Multiplexes (out of a total of six) plus two new High Definition (‘HD’) capable DTT (DVB-T2) Multiplexes (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 extensive viewer coverage and more limited supply of commercial channels as compared to approximately 250 channels on cable and 500 on satellite;

- regulated position as the sole UK national provider of network access (‘NA’) and managed transmission services (‘MTS’) for radio broadcasting, ownership of 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 31 December 2014, 26 of the 57 local radio Multiplexes;

- a large rural and suburban network of towers which is attractive to all operators and with an average of 2.5 tenants per active licensed site. Landlords’ ability to terminate leases is restricted by protections under the Landlord & Tenant Act (where applicable) or under the Electronic Communications Code (‘ECC’) which is currently being consulted on;

- 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 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 water metering, and machine-to-machine markets. In April 2014 Arqiva announced the signature of a partnership deal with SIGFOX, a leading international
Internet of Things (‘IoT’) business, and has begun the construction of the UK’s first national low-power, low-bandwidth 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 31 December 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.

Since the award of the contract, Arqiva has consistently met all of its contracted milestones on time and to the required standard. Datacentres have been built and tested; a service management centre has been established; a key 25% network coverage milestone was achieved by 31 December 2014; good progress is being made to achieve 40% by 1 April 2015 and a purpose built Centre of Excellence Test facility is now conducting Pre-Integration Testing of the solution. In addition, the prototype for the Communications Hub to be installed in every home has been built and has achieved CE certification (meets EU legislation and EU safety, health or environmental requirements). In the six months ended 31 December 2014 the Group recognised £13.9m 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 DCC design and development milestone as part of the construction of the network infrastructure.

The design of the Communications Hub is dependent on certain industry specifications provided by the Department of Energy and Climate Change (‘DECC’). One such specification (the Great Britain Companion Specification) has changed materially in recent months, causing delay to the overall UK Smart Metering programme. DCC has consulted with industry on re-planning options, which are subject to a change control process. Arqiva is supporting the delivery of an industry-wide plan and as part of this is providing support for the development of a single integrated DCC-wide plan (integrated with other suppliers) that DCC will then recommend to the Secretary of State for approval during February 2015. The timing of Arqiva’s network build will be unaffected.

**Internet of Things network rollout**

In April 2014, Arqiva signed a deal with SIGFOX, a leading international IoT business to build a national IoT network on a staged basis, starting with ten major UK cities, using SIGFOX technology.
As at 31 December 2014, Arqiva had launched coverage in the ten major UK cities. Discussions with potential customers are on-going.

**Digital Platforms Multiplex utilisation**

As at 31 December 2014, all 28 streams on Arqiva’s two main DVB-T Multiplexes were fully utilised, following the renewal of all “founder” streams and a strong period of sales bringing a number of new customers and brands onto the Freeview DTT platform confirming its on-going attractiveness to broadcasters for them to obtain the largest possible audiences. New channel launches since last summer on the main DVB-T Arqiva Multiplexes include TruTV, TBN, CBS Action, and TinyPop. These renewals and new channels have added a net £250m of contracted revenues to Arqiva’s orderbook since 30 June 2014, leading to the highest ever contracted revenue figure for the Digital Platforms division of circa £0.6bn as at 31 December 2014.

**Freeview update**

Freeview is the UK’s biggest digital television provider, delivering TV content over DTT. In June 2014, as part of an effort to develop the platform further the Freeview consortium announced plans to develop a connected TV service which will make catch-up and on-demand TV available to a mass market giving viewers even more choice in how they access TV programmes. It has recently been announced that this new service will be called Freeview Play.

In November 2014, Arqiva’s Digital Platforms division was awarded the contract to build Freeview Play’s metadata aggregation engine and service following a competitive selection process by Digital UK. The aim is for manufacturers to launch a new range of Freeview Play enabled televisions and boxes which consumers will be able to buy in store. Consumers will be able to watch the service via their TV aerial and current broadband provider without being tied to a contract. Arqiva is committed to ensuring Freeview remains a strong and competitive player in the changing TV landscape. The service will be built by Arqiva’s Connected Solutions business, utilising the expertise of its recently acquired Capablu business.

**DTT spectrum update**

The DTT platform currently uses spectrum in the 470-790 MHz bands. Plans are being developed by Ofcom and industry stakeholders to clear 700MHz (694 MHz to 790 MHz) to use for mobile data. The Group is currently undertaking a capability assessment for Ofcom 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.

In addition, major European nations (fourteen in total including UK, France, Spain and Italy) and a recent consultation prepared by European Member States and the European Commission in November 2014 support a European common proposal to ensure that there is no change to the existing regulatory arrangements for terrestrial broadcast spectrum in the 470-694 MHz range. The proposal is to reserve this range for terrestrial broadcast use and continue to exclude mobile services in this band across Europe. This is the position that the Group anticipates Europe collectively will align behind at the World Radio Conference (‘WRC’) meeting in November 2015.

**Digital radio coverage extension for the BBC**

The Group has been progressing with the delivery of the programme under the BBC New Radio Agreement (‘NRA’), and has now completed the upgrades to the analogue radio network. The build
out of the Phase 4 BBC National DAB network continues and as at 31 December 2014, Arqiva had put 69 new transmitters on air increasing the BBC’s UK DAB network coverage beyond 95% of the population. 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.

**WACC review**

The Office of the Adjudicator – Broadcast has published a review of the cost of capital applicable to broadcast transmission which is now the subject of a consultation process with Arqiva’s television and radio broadcast customers. The cost of capital is used in the process of setting the prices for Arqiva’s Network Access contracts. The last time the cost of capital was determined was in 2006.

The report proposes a cost of capital of 7.50%, real pre-tax, compared with the existing rate of 7.71%. It is important to note that the report proposes the new cost of capital should apply to new contracted capital expenditure only. The review will not result in any change to the return allowed on existing investments already made under existing contracts, or to the cost of capital applied to existing infrastructure, which will remain at 7.71% real. We do not expect the new cost of capital applicable to new Reference offers following the completion of this review to have a material impact on the Group’s financial position or prospects.

**4G rollout and Mobile Infrastructure Project update**

The four main Mobile Network Operators (‘MNO’) 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 its customers. The Group will therefore report a significant increase in Installation Services revenue this year and next year compared to the year ended 30 June 2014. To date the Group has completed circa 520 4G upgrades across Arqiva managed sites. The order book remains healthy with a further circa 5,300 upgrades to Arqiva managed sites requested from the mobile operators over the next 2-3 years based on current rollout plans.

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 MNOs 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 connecting to the MNOs’ networks and identifying not-spot areas that should be covered under the project. The Group currently has 116 sites in the acquisition phase and is working closely with the DCMS and MNOs to ensure successful delivery of the build phase.

**Operating Model Review**

We have been working with external consultants to benchmark our cost base and review the profitability of our services. The outcome of this review will enable us to continue to deliver a first class service for our customers with a more efficient cost base, and to rationalise our product offering.

**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 six month period ended 31 December 2014.
Maintenance Capital Expenditure

Maintenance capital expenditure of £8.6m comprised of maintenance of site infrastructure and the IT estate in both periods, which was higher in the prior period due to significant IT upgrades. In the prior year there were also substantial maintenance costs incurred as part of the development of a number of corporate sites.

Growth Capital Expenditure

Contracted growth spend is capital expenditure that is incurred to deliver revenues which is supported by a signed customer contract. This totalled £59.9m compared with the prior year period of £46.0m primarily due to the spend on the Smart metering north contract. Non-contracted growth spend 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 £3.4m compared with the prior year period of £3.5m.

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. 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.

Acquisitions and Disposals

For the six months ended 31 December 2014, the cash flow from the Group’s acquisitions and disposals was an outflow of £nil.

Ratios

We confirm that in respect of this investor report dated 23 February 2015, by reference to the most recent financial statements that we are obliged to deliver to you on a semi-annual basis in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Covenants) of the Common Terms Agreement:

a. Historic Net Debt to EBITDA for the relevant Test Period ending on (and including) 31 December 2014 was 5.90;

b. Historic Cashflow ICR for the relevant Test Period ending on (and including) 31 December 2014 was 2.32;

c. Historic Cashflow DSCR for the relevant Test Period ending on (and including) 31 December 2014 was 2.32 (together the Historic Ratios);

d. Projected Net Debt to EBITDA for the relevant Projected Test Period commencing on (but excluding) 31 December 2014 is 6.00;

e. Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 31 December 2014 is 2.28; and

f. Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 31 December 2014 is 2.28 (together the Projected Ratios and together with the Historic Ratios, the Ratios).

We confirm that:
each of the above Ratios has been calculated in respect of the relevant Test Period(s) or Projected Test Period(s) or as at the relevant dates for which it is required to be calculated under the Common Terms Agreement;*

b. no Ratings Downgrade Event has occurred;

c. no Modified Net Debt to EBITDA Ratio Breach has occurred;*

d. no Default or Trigger Event has occurred and is continuing; and

e. 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%, 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 mandatory break clause in 2023, whilst the remaining two classes are break-free.

The maturity date for all three classes of ILS is April 2027. The accretion of £78.1m at December 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 6.21%. 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 notional principle 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,

[Signature]

Chief Financial Officer

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower