SCHEDULE 7

FORM OF INVESTOR REPORT/QUARTERLY INVESTOR REPORT

Template for 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, wireless voice and data services in the UK. More recently the Group has won major contracts for Smart networks as demand for machine-to-machine (‘M2M’) connectivity grows. The Group’s core towers 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 2015), 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 the 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 provide coverage to 98.5% of the UK population) as well as with commercial broadcasters;

- regulated position as the leading UK national provider of network access (‘NA’) and managed transmission services (‘MTS’) for radio broadcasting and ownership of over 90% of the radio transmission towers for terrestrial broadcasting in the UK. Arqiva is also the operator of both national commercial digital radio licences and 25 of the 55 local radio licences as at 30 June 2015;

- largest independent provider of wireless tower sites in the UK, which are licensed to Mobile Network Operators (‘MNOs’) and other wireless network operators, with approximately 25% of the total active licensed macrocell site market as at 30 June 2015. Arqiva’s wireless towers are vital for MNOs to meet their national coverage obligations;

- 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 premises. Building on this, Arqiva signed a smart metering water contract with Thames Water in March 2015 and continues to explore opportunities in 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 is constructing a low-power, low-bandwidth IoT network using SIGFOX technology covering ten of the UK’s largest cities;

- largest owner of independent satellite uplink infrastructure and satellite distribution services in the UK. The Group has over 40% market share in terms of the number of transponders accessed from its uplink infrastructure as at 30 June 2015 and serves as an alternative to Sky’s own uplinking services;
one of the largest providers of WiFi in the UK with circa 29,000 deployed access points, and provision of WiFi services in 34 airports and 11 London boroughs;

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 High Definition/Standard Definition (‘SD’) services on Freeview in the DVB-T2 format – i.e. for viewing on 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 than cable and satellite; and

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

Historic business developments

Appointment of a new Chairman and a Chief Executive Officer (CEO)

In April 2015, the Group appointed a new Chairman, Mike Parton. Mike takes over from Peter Shore who had been Chairman of Arqiva since 2007. Mike started his career as a Chartered Management Accountant, working for a number of UK technology companies including ICL, GEC, STC and Marconi. He moved into General Management in 1995 at Marconi and became CEO in 2001. Mike was CEO of Marconi until 2006 before overseeing a sale of the company to Ericsson. In 2007, Mike became Chairman of Damovo and joined the Board of Tele2, becoming Chairman there in 2010. Mike stepped down from the Board of Damovo in 2015 and joined Arqiva shortly afterwards.

In August 2015, the Group appointed a new CEO, Simon Beresford-Wylie. Simon joins Arqiva with over 30 years’ experience in the information technology and telecoms sector. He has held roles globally, most recently helping to guide the strategy and operations of Samsung Electronics’ network business in Seoul, Korea. Prior to joining Samsung, Simon was CEO of UK-based Digital Mobile Spectrum Limited (DMSL) which is responsible for mitigating interference issues that arise as a consequence of the co-existence of DTT television and 4G mobile. He has also held positions as CEO for Elster Group SE, a German-based supplier of advanced metering and gas infrastructure solutions and spent 11 years with Nokia Corporation, latterly serving on the Group Executive Board responsible for the Group’s Network Business. Simon was the founding CEO of Nokia Siemens Networks which today accounts for around 90% of Nokia’s global revenues and profits.

John Cresswell left Arqiva in August 2015 after four and a half years’ as CEO leading Arqiva through a period of strong EBITDA and orderbook growth.

Operating model review and organisational structure changes

The Group has been undertaking a review of its operating model, working with external consultants to benchmark its cost base and review the profitability of its services.

Following the review, Arqiva announced the following changes:

- A strategic focus on core UK infrastructure businesses and driving growth in these areas whilst exiting non-core business areas
- Ceasing investment in Secure Solutions and Satellite News Gathering (SNG). The SNG assets were disposed of in July 2015 and the Group is running a sales process to dispose of the Secure Solutions business;
- Improvement of the end to end alignment of the business:
  - From 1 July 2015, activities from the Technology business unit were transferred into customer facing business units and the DTT element of Digital Platforms was transferred to Terrestrial Broadcast and hybrid TV activities (connected solutions) into Satellite and
Media. The posts of Chief Technology Officer and Managing Director, Digital Platforms were made redundant as a result;

- From 1 October 2015, the Telecoms and Smart Metering (M2M) business units will be combined into one division, to be known as Telecoms and M2M. In addition, the Group Strategy and Business Development functions will be de-centralised and transferred into customer facing divisions and other central corporate functions. As a consequence, the posts of Group Strategy and Business Development Director and Managing Director, Smart Metering (M2M) will be made redundant,
- Improvement of efficiency and reducing the cost base by right-sizing the central functions and proposing the closure of the defined benefit pension scheme to future accrual; and
- Appointment of a Chief Transformation Officer, to help drive the changes.

The proposed realignments will allow the Group to enhance customer focus across all business areas and better serve the telecoms and smart machine to machine sectors as these markets continue to converge rapidly. The outcome of these changes will enable Arqiva to continue to deliver a first class service for its customers in markets that are changing fast, with a more efficient cost base, across a rationalised product offering.

**Contracted orderbook as at 30 June 2015**

The Group’s contracted orderbook value at 30 June 2015 was £6.2bn. This was an increase of £0.1bn from £6.1bn reported in 30 June 2014. The principal reasons for the increase were new contract wins across the whole business. The strength of the orderbook improves Arqiva’s visibility of earnings and will underpin revenue growth over the next 2-3 years.

**Smart metering rollout progress**

Arqiva is building a smart metering communication network as part of a 15-year contract signed in September 2013 with the Data and Communications Company (the DCC, a body licensed by statute).

The Group has consistently met its contracted milestones on time and to the required standard. Much of the infrastructure needed has already been built and the programme has now entered a phase of pre-integration testing. Network coverage for the service has exceeded 60% of the target population, allowing Arqiva to initiate billing. Network coverage is on track to achieve 80% by the time the DCC service is operationally live in 2016.

In the year ended 30 June 2015 the Group recognised £19.3m revenues predominantly 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.

Solution design 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, causing delay to the overall GB Smart Metering programme. In March 2015, the Secretary of State for DECC approved revised programme timescales, which extended the date energy suppliers will connect to the service to summer 2016. The changes to scope, timing and commercial terms have been agreed with DCC. A phased approach is being adopted by DCC to accommodate the assessment and implementation of further changes up to and beyond operational go-live. As a result of the specification changes, Arqiva is earning additional revenues for the change requests and will see an increase in its contracted orderbook.

**Smart Water Metering progress**

In March 2015, Arqiva signed a smart water metering contract with Thames Water following a competitive bidding process. The contract is for the provision of smart metering fixed network infrastructure and associated water meters that enables the collection, management and transfer of
metering data. The contract is for a 6 year term that is extendable in periods of 1-3 years up to a total of 16 years. The service is expected to cover 3 million homes once fully deployed.

The Group is currently working on two key imminent programme phases for the build of 17 network coverage sites and interfaces to the customer’s systems. The first phase is on track to go live in September 2015 and the second phase is on track for a go-live in March 2016. Additional phases are expected to be contracted with Thames Water once the network coverage gradually grows. Following the receipt of initial purchase orders from Thames Water, the Group is currently contracted to deliver 17 milestones by March 2016 of which it has delivered five to date, on schedule.

**Internet of Things (IoT)**

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. The programme is now focusing on activities to bring the network to operational and commercial readiness whilst running proof of concepts with a number of potential clients.

**Digital radio (DAB) rollout**

The Group has been progressing with the delivery of the DAB rollout 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 30 June 2015, Arqiva had put 101 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.

The Group has also been progressing with the delivery of Commercial local DAB. The programme is part of an initiative to meet the local DAB coverage criteria of 90% as set by the UK Government in 2010. The 90% criteria was part of three overall criteria to judge when a date for a full national digital radio switchover can be set. The project requires new transmitters or upgrades at 231 sites and commenced during the 2015 financial year. It is partially funded by the BBC and the UK Government.

Following award of the second national DAB licence in March 2015 to Sound Digital, a consortium which includes Arqiva (40%), the Group has commenced construction of the transmission network and sought expressions of interest from broadcasters wishing to launch further radio services on the new national DAB multiplex. Transmitter installations at 45 sites will commence in September 2015 with commissioning planned for completion by early February 2016. Since the licence award, new contracts for radio services have been offered to three broadcasters with further channels still in negotiation. The service is scheduled to launch in March 2016.

**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. The UK Government has budgeted up to £600m for the total cost of the clearance programme which includes the cost of infrastructure changes. The funding framework is under development with initial funding requests to be made in autumn 2015 to cover programme management activities and on-going technical analysis. Arqiva expects to earn significant revenues for delivering the clearance programme.

European Member States have adopted a ‘No Change’ position ahead of the World Radiocommunications Conference (‘WRC’) meeting in November 2015, to ensure that the terrestrial broadcasting service will remain the principal service in the 470-694 MHz frequency range (with the mobile service excluded from this spectrum). Furthermore, African Member States have also adopted a ‘No Change’ position ahead of WRC15 which demonstrates a strong alignment with Europe and minimises the risk of a change to the radio regulations at WRC15.
DTT Multiplex utilisation

As at 30 June 2015, all 28 streams on Arqiva’s two main DVB-T Multiplexes were fully utilised, following new contract wins and the renewal of all “founder” streams. A strong period of sales in the year brought 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 Quest+1, Movies for Men, TruTV, TBN, CBS Action, and TinyPop. These renewals and new channels have added over £300m 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 30 June 2015.

UK MNO consolidation, 4G rollout and Mobile Infrastructure Project update

During the year to June 2015 the UK telecoms market saw the announcement of a proposed acquisition of EE by BT and also a bid by H3G for Telefonica O2. The impact of any consolidation of Arqiva’s customers, should the proposals receive regulatory approvals, remains uncertain and is complicated by the MNOs’ positions in the two major mobile network sharing ventures. Both proposed deals would require competition authority clearances and given the likely timescale for a decision, and the complexity of unwinding or reconfiguring network sharing deals, there is unlikely to be a material impact on Arqiva over the medium term. The Group benefits from long term contracts and Arqiva’s services are in high demand, particularly driven by competition between the MNOs, including for continued 4G build-out at high pace making use of Arqiva’s sites. The Group views the potential deals as an opportunity to be a focal point of any consolidation activity given its strong site portfolio, existing customer relationships and previous experience of supporting consolidation.

Against the backdrop of consolidation activity, the four main Mobile Network Operators (‘MNOs’) are 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, resulting in a significant increase in Installation Services revenue in the year to 30 June 2015 and expects high levels next year. The Group completed circa 1200 4G upgrades across Arqiva managed sites up to 30 June 2015 and we have a further circa 5,600 upgrades to Arqiva managed sites requested from the mobile operators over the next 2-3 years.

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’). The Group continues with the rollout. As at the end of June, 181 sites were in the acquisition phase, together with 19 in the build phase.

WiFi and Small Cells development

In June 2015, Arqiva signed a three year contract to provide wholesale WiFi services to one of the UK’s major providers of fixed broadband. The service will enable their customers to access the majority of Arqiva’s Wholesale WiFi locations via smartphone and other wireless devices. The contract is part of the Group’s strategy to drive further growth from its WiFi business and strengthen its foothold in this sector.

Furthermore, Arqiva has also been developing its outdoor Small Cells opportunity which is a technology that uses low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. The Group is currently progressing trial activity with all four UK MNOs, and participating in commercial processes to provide a managed service role in this market.

Satellite contract wins

Since 30 June 2014, the Satellite business has secured new business wins with a total contract value of circa £81 million with major international customers including Turner, BT, Entertainment Network, NBC, Rignet, Canal+ and others, providing a variety of satellite services from its UK based facilities including UK DTH, media management, managed networks and data communications.
Maintenance Capex Expenditure

Maintenance capital expenditure of £20.7m comprised of maintenance of site infrastructure and the IT estate in both periods, which was higher in the prior period (£25.7m) 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 Capex Expenditure

Contracted growth spend is capital expenditure that is incurred to deliver revenues which is supported by a signed customer contract. This totalled £118.8m compared with the prior year period of £123.5m primarily due to the phasing of 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 £15.3m compared with the prior year period of £9.0m.

Financing

During July 2014, the Group completed a US Private Placement floating rate debt issue of £300.0m, with a final expected maturity of 15 years and a weighted average life of 11.5 years. The proceeds of this loan were utilised to repay a portion of the 5-year term bank facility.

As at 30 June 2015 the outstanding balance on the 2018 term bank facility was £353.5m.

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 contracts to hedge certain trade-related 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

£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.

Interest rate swaps

£1,023.2m of variable rate debt is now hedged via four tranches of IRS contracted by ASF and AF1 at an average fixed rate (before debt margin) of 6.21%. The ASF IRS (nominal value £353.5m) have mandatory break clauses in 2018 co-terminus with the ASF variable rate bank debt. The IRS held by AF1 (combined notional principal of £670.0m) have maturity dates co-terminus with the Institutional Term Loan (‘ITL’), European Investment Bank (‘EIB’) loan and US Private Placement £300.0m loans.
In July 2014, on raising of the £300.0m floating rate US Private Placement issue, a premium of £100.5m was received by AF1 for entering into replacement IRS and used to fund the whole mark-to-market payment of £100.5m due by ASF at termination of the equivalent IRS. During the 2014 financial year, the Group paid total termination costs of £112.3m and received a total premium of £105.3m for entering into replacement IRS in the Borrower, following the termination of existing equivalent swaps in ASF reflecting the refinancing of the underlying debt in ASF. These transactions resulted in a cash outflow of £7.0m during the year ended 30 June 2014.

The restructure of the swaps and transfer from ASF to AF1 has resulted in a charge to the profit and loss account, owing to the fact that the termination payment of the relevant ASF (Finco) hedges has been recognised immediately. The premium received for entering into the new IRS in AF1 has been recorded on the balance sheet and will be amortised over the 11.5 year weighted average life of the new IRS. As a result of these transactions a premium on swap issuance of £188.6m (2014: £103.6m) is recorded within creditors.

The fair value of the interest rate, inflation and cross currency swaps at 30 June 2015 (excluding the principal accretion and the premium on swap issuance), is a liability of £1,143.1m which comprises £925.1m in relation to the RPI linked swaps, £201.7m in relation to the IRS, and £16.3m in relation to the cross currency swaps (2014: total £1,228.0m). This fair value calculated on a Mark-to-Market basis is not recognised on the balance sheet in accordance with Group accounting policy and UK GAAP accounting standards.

The Group held Swap Options with a total notional principal amount of £410.7m at 30 June 2015 (£843.2m at 30 June 2014). The options are exercisable at maturity (co-terminus with the floating rate bank debt drawn in February 2013) on 29 February 2016 and 28 February 2018, and hedge the Group’s exposure for the duration of the IRS to a decline in LIBOR below 1%. During the year ended 30 June 2015 £432.5m of the notional principal amount of the Swap Option was sold for a value of £1.0m.

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.

Acquisitions and Disposals

For the year ended 30 June 2015, the cash outflow from the Group’s acquisitions and disposals was £nil (2014: £5.8m relating to the deferred consideration on the acquisition of Digital One Limited and the purchase of Capable Limited in February 2014).

Ratios

We confirm that in respect of this investor report dated 11 September, 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) 30 June 2015 was 5.74;

(b) Historic Cashflow ICR for the relevant Test Period ending on (and including) 30 June 2015 was 2.35;

(c) Historic Cashflow DSCR for the relevant Test Period ending on (and including) 30 June 2015 was 2.35 (together the Historic Ratios);

(d) Projected Net Debt to EBITDA for the relevant Projected Test Period commencing on (but excluding) 30 June 2015 is 5.79;
(e) Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 30 June 2015 is 2.25; and

(f) Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 30 June 2015 is 2.25 (together the Projected Ratios and together with the Historic Ratios, the Ratios).]

We confirm that:

(g) 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;

(h) no Ratings Downgrade Event has occurred;

(i) no Modified Net Debt to EBITDA Ratio Breach has occurred;

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

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

Current Hedging Position

For the year ended 30 June 2015, the cash outflow from the Group’s acquisitions and disposals was £nil (2014: £3.8m relating to the deferred consideration on the acquisition of Digital One Limited and the purchase of Capable One Limited in February 2014).

Yours faithfully,

[Signature]
[Director/CFO]

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower

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* Include for Compliance Certificate only.

* Include for Compliance Certificate only and only for so long as Facility A and/or Facility B are outstanding.