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 satellite content, media, wireless voice and data services in the UK, including machine-to-machine (M2M) connectivity. 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 provider of MTS for over 90% of the analogue and DAB digital radio transmission market in the UK. Arqiva is also the operator of both national commercial digital radio multiplexes and holds 25 out of the 55 local radio licences as at 31 December 2015;

- largest independent provider of wireless tower sites in the UK with prominence in rural and suburban areas, which are licensed to Mobile Network Operators ('MNOs') and other wireless network operators, operating approximately 25% of the total active licensed macrocell site market as at 31 December 2015. Also a provider of installation services and 4G upgrade and rollout. Arqiva's active site portfolio are central for MNOs to meet their national coverage obligations;

- a leading provider of In-Building Solutions. In addition, the Group has access to over 300,000 street municipal furniture sites for the provision of Small Cells in London and key major UK cities;

- a leading provider of smart metering and machine-to-machine (M2M) communications. Contracts include: smart metering communication services in Northern England and Scotland for electricity and gas to approximately 9.3 million premises, a partnership deal with SIGFOX for the rollout of an Internet of Things ('IoT') network covering ten of the UK’s largest cities and smart water metering for Thames Water that is expected to cover 3 million homes once fully deployed;

- 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 31 December 2015 and it serves as an alternative to Sky's own uplinking services;

- one of the largest providers of WiFi in the UK with circa 31,000 deployed access points, providing WiFi services in 35 airports and 11 London boroughs;

- market leader for commercial spectrum used for the transmission of digital terrestrial television ('DTT'), owning two of the main national commercial Multiplexes out of a total of six national Multiplexes (there are three Public Service Broadcaster and three commercial DTT Multiplexes in the UK). The Group owns a further two High Definition ('HD') capable DTT (DVB-T2) Multiplexes for additional services on Freeview and DTT related platforms in the DVB-T2 format (for viewing on Freeview HD compatible sets and other DTT related platforms
e.g. Youview) which have a minimum licence duration until the end of December 2018. DTT
video streams in the UK are more valuable to broadcasters than either satellite or cable video
streams, due to DTT’s extensive viewer coverage, uptake and the more limited supply of
commercial channels; and

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

Historic business developments

Transformation Programme and continuous improvement

Further to the organisational structure changes reported previously Arqiva continues to deliver
operating cost savings. As at 31 December 2015, the Group had achieved a run rate saving of circa
£25m p.a in operating expenses.

From May to November 2015, the Group was supported by Alvarez and Marsal for an operating
model review and to help identify cost reduction opportunities. The Group is now ensuring that there
is a timely and continuing implementation of initiatives arising from this review. In January 2016, a
Chief Procurement and Continuous Improvement Officer, Frédéric Sebban was appointed to continue
the focus on cost efficiency. Frédéric joins Arqiva with significant experience gained from both
Business to Business (B2B) and Business to Consumer (B2C) environments. He has held senior
procurement and supply chain management roles across Europe with organisations including General
Electric, Renault (Matra), Alstom and Campofrio. Frédéric is also a Lean Six Sigma Master Black Belt
having led a number of performance excellence programmes that have delivered considerable
benefits in terms of operational efficiency/effectiveness improvements and cost savings.

4G rollout

The four main Mobile Network Operators (‘MNOs’) continue to increase 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 revenues in 2015 and 2016
financial years. The Group completed circa 2,000 4G upgrades across Arqiva managed sites up to 31
December 2015 and have a further circa 6,000 upgrades to Arqiva managed sites requested from the
MNOs over the next 2-3 years.

Small cells opportunities and in-building systems

Arqiva has been developing its outdoor Small Cells proposition 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 undertaking trials with two MNOs in Hammersmith & Fulham with
commercial discussions underway to secure further orders for Small Cells. Arqiva is in a strong
position to pursue new opportunities in this sector during 2016 also by utilising its licensed municipal
street furniture in 11 London Boroughs.

In January 2016, the Group deployed in-building systems for Canary Wharf Group’s retail centres at
Canada Place, Crossrail Place, and Jubilee Place in Canary Wharf, London. The in-building systems
provide 4G coverage that complement the existing 2G and 3G coverage at those locations. Arqiva
deployed a future-proof solution which is designed to ensure a mobile signal is available when
underground, in large buildings, or where there is heavy footfall. Commuters and shoppers will be
able to receive 4G in the retail centres via their service providers. The technology will allow all MNOs
to provide their mobile services through one set of transmission equipment.

Sale of Secure Solutions and payphone business

In October 2015, the Group signed a contract for the sale to talent of its Secure Solutions assets and
contracts which had been identified as non-core business. The sale was completed successfully in
December 2015.

In December 2015, the Group also sold the payphone business acquired in 2012 as part of the
Spectrum Interactive business, disposing of its 100% interest in the ordinary share capital of NWP
Street Limited, a subsidiary undertaking to Clear Channel.
Total consideration for these disposals was circa £20m.

**Smart metering rollout**

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 successfully achieved a key milestone in the programme ahead of schedule by completing the first Pre-Integration Testing phase and has entered into the Systems Integration Testing phase, where the Arqiva solution is integrated and tested as part of the wider DCC solution, together with meter emulators, electricity and gas meters. As a result of the completion of the first Pre-Integration Testing, the Group has started to earn recurring revenues under the contract relating to network availability charges. Arqiva has also delivered the next release of software required for Systems Integration Testing on time. Furthermore, Arqiva expects to earn additional revenues from new change requests (and existing ones) once the scope and contract is agreed during the quarter to March 2016.

Arqiva has achieved all contractual milestones required to date. The rollout of the network currently exceeds 70% coverage across the contracted region and is on track to achieve 80% by the time the DCC service is operationally live later this year.

**Smart water metering rollout**

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 an initial six year term that is extendable up to a total of sixteen years. The service is expected to cover 3 million homes once fully deployed.

The Group is currently working on two key programme phases, including the build of 23 network coverage sites and interfaces to the customer’s systems. The first phase went live in November 2015 and the second phase is on schedule for completion in March 2016. Following the receipt of initial purchase orders from Thames Water, the Group is currently contracted to deliver 17 milestones by the end of the second phase of which it has delivered 8 to date. Additional phases are expected to be contracted with Thames Water as the network coverage expands.

**Internet of Things (IoT)**

In October 2015, Arqiva agreed to partner with Advanced Digital Institute to support the development of its Meds Companion technology product and be a part of a two year project to trial the product. The project will help patients to record their medication regime within their homes and allow healthcare professionals to track the medication status remotely using the SIGFOX network. Meds Companion is being trialled in Bradford and the surrounding areas with a view to launching the solution in other NHS areas in the future.

In January 2016, Arqiva and Vision360 were jointly selected as providers to one of two NHS England IoT Innovation Test Beds. The two companies will work with other partners within the Technology Integrated Health Management (TIHM) Test Bed, a collaboration led by Surrey and Borders Partnership NHS Foundation Trust. The TIHM Test Bed will help people living with dementia or frailty remain in their own homes for longer with the aid of network-enabled sensors, wearable technology, monitors and other devices to monitor their health at home. Arqiva and Vision360 are working to deliver a national standards-based assistive care IoT platform, which combines Vision360’s health and assistive care technology and Arqiva’s SIGFOX IoT network.

These deals give Arqiva the opportunity to showcase how its SIGFOX network can complement other technologies and give access to technology to those currently excluded. The Group continues to run proof of concept trials with a number of other potential customers.
Mobile Infrastructure Project update

The Mobile Infrastructure Project ('MIP') is a strategic programme funded by the Government with the ultimate goal of providing a service to areas without any mobile coverage services ('not-spots').

Arqiva was awarded the contract in May 2013 by the Department of Culture and Media and Sport ('DCMS') to provide mobile network planning and to build mobile mast infrastructure with cellular and backhaul transmission capability for the MNOs to be able to deliver mobile services to rural communities.

The project is due to end in March 2016 with the aim of completing as many sites as possible by then. The Culture Secretary has publicly stated that the project will deliver over 50 masts, bringing 4G coverage to premises that previously had no mobile coverage.

Launch of Freeview Play

In October 2015, the Freeview brand launched its connected TV service, Freeview Play. Freeview Play combines DTT channels with catch-up TV from the BBC, ITV, Channel 4 and Channel 5, on-demand services and live television, making a wide range of content available to a mass market and giving viewers even more choice in how they access TV programmes on a free-to-air platform. The service is free from subscription and works with all existing broadband services. Freeview Play is available on new set-top boxes currently manufactured by Humax and on Panasonic’s new TVs. LG has recently announced it will launch a Freeview Play range in the first half of 2016 and other TV manufacturers are expected to follow.

Freeview's DTT service is the biggest TV platform in the UK and is present in over 19 million homes. Arqiva has been fully committed to developing and modernising the platform and was responsible for building part of the technical solution for Freeview Play.

700 MHz clearance and DTT spectrum

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) so that the spectrum can be auctioned for use by the mobile sector. This is a change that will be adopted across Europe. A wide range of activities are underway to plan for the move in frequencies, including determining changes to the frequencies used, planning for infrastructure changes and work requirements and agreeing a rollout plan. Arqiva continues to work on the capability studies which is expected to complete in March 2016 and is currently gearing up for programme delivery. The Group has now entered into contract with the major broadcasters and Ofcom and has agreed the commercial terms relating to delivering the programme. The UK Government has budgeted up to £600m for the total cost of the clearance programme which includes the cost of infrastructure changes, support to consumers where appropriate, and retuning broadcast transmitters to enable broadcasters to move into a lower frequency. Arqiva expects to receive significant funding to cover all of the cost of infrastructure changes and will earn revenues from 2016 to 2022.

In November 2015, the World Radio Conference (WRC) took place which is a global event held every 4 years to discuss radio regulations, the international treaty governing the use of the radio-frequency spectrum and other related matters. It was agreed at the WRC that there is no regulatory change expected over the medium term to the spectrum that will be used by DTT following the 700 MHz Clearance and the position would not be reviewed again until 2023 at the earliest. This underpins the Group’s DTT business and the decision was also supported by Europe, Africa, Russia and relevant Arab nations.

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 31 December 2015, Arqiva had put 127 new transmitters on air increasing the BBC’s UK DAB network coverage beyond 95% of the population. On completion of the rollout 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 process to set a date for a full national digital radio switchover can be established. The project requires new transmitters or upgrades at 231 sites and as at 31 December 2015, work had been completed at 53 sites with the project due to be completed on schedule by October 2016.

Following award of the second national DAB licence in March 2015 to Sound Digital (a consortium which includes Arqiva (40%)), construction by the Group of the transmission network is nearing completion. Contracts have been agreed with 18 radio stations wishing to launch further radio services on the new national DAB multiplex utilising 98% of the available capacity. Transmitter installation and commissioning is being completed ready for a launch on 29 February 2016.

**Satellite and Media contract wins**

Since June 2015, the Satellite and Media business secured new business wins with a total contract value of circa £62 million with major international customers including Al Jazeera, BT ESPN, AMC Networks and others, providing satellite services from its UK based facilities that include playout and satellite distribution.

**Closure of defined benefit pension scheme**

Following an extensive consultation period and further discussions with BECTU an agreement was reached in January 2016 to close the defined benefit pension scheme to future accruals on the 31 January 2016 and to transfer members to the existing defined contribution scheme going forward.

**Maintenance Capex Expenditure**

Maintenance capital expenditure is incurred on the maintenance of site infrastructure and the IT estate. This totalled £9.0m and principally included significant IT upgrades. The spend was comparable to the prior period (£8.6m) which also included IT upgrades in addition to 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 £69.4m compared with the prior year period of £64.6m with the period on period increase primarily due to the phasing of the spend on the Smart metering north contract and DAB roll-out. 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 £3.7m compared with the prior year period of £3.4m.

**Financing**

**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 and cause it to be 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. The ASF IRS (nominal value £353.2m) 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.

The restructure of the swaps and transfer from ASF to AF1 resulted in a charge to the profit and loss account, owing to the fact that the termination payment of the relevant ASF ('Finco') hedges was recognised immediately. The premium received for entering into the new IRS in AF1 has been recorded on the balance sheet and is being 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 £180.3m (31 December 2014: £196.6m) is recorded within creditors.

Also recorded in creditors is an amount of £16.2m (31 December 2014: £78.1m) reflecting the principal accretion on inflation linked swaps. This amount is calculated on an accruals basis.

The fair value of the interest rate, inflation and cross currency swaps at 31 December 2015 (excluding the principal accretion and the premium on swap issuance), is a liability of £1,073.6m which comprises £862.2m in relation to the RPI linked swaps, £212.3m in relation to the IRS, and a £0.9m asset in relation to the cross currency swaps (31 December 2014: total £1,215.8m). 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 31 December 2015 (£410.7m at 31 December 2014). The options are exercisable at maturity 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%.

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 of subsidiaries

In October 2015, the Group signed a contract for the sale to telent of its Secure Solutions assets and contracts which had been identified as non-core business. The sale was completed successfully in December 2015.

In December 2015, the Group also sold the payphone business acquired in 2012 as part of the Spectrum Interactive business, disposing of its 100% interest in the ordinary share capital of NWP Street Limited, a subsidiary undertaking to Clear Channel.

Total consideration for these disposals was circa £20m.

Ratios

We confirm that in respect of this investor report dated 15 February, 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 2015 was 5.83;

(b) Historic Cashflow ICR for the relevant Test Period ending on (and including) 31 December 2015 was 2.33;

(c) Historic Cashflow DSCR for the relevant Test Period ending on (and including) 31 December 2015 was 2.33 (together the Historic Ratios);

(d) Projected Net Debt to EBITDA for the relevant Projected Test Period commencing on (but excluding) 31 December 2015 is 5.70;

(e) Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 31 December 2015 is 2.26; and

(f) Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 31 December 2015 is 2.26 (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.

Yours faithfully,

[Signature]

(Director/CFO)

Signing without personal liability, for and on behalf of

Arqiva Financing No 1 Limited as Borrower

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