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

Arqiva is a market leading UK communications infrastructure and media services provider. With significant investments in essential communications infrastructure, the Group is the principal independent telecom towers operator and sole terrestrial broadcast network provider in the UK. The Group’s core towers business (comprising terrestrial broadcast and wireless site share infrastructure) generates predictable operating profits (which constituted circa two-thirds of the Group’s gross profits for the year ended 30 June 2016), supported by strong market positions, diverse revenue streams, long-life assets and a significant proportion of revenues coming from long term inflation-linked 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 NA and 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 56 local radio licences as at 30 June 2016;

- largest independent provider of wireless tower sites in the UK, with particular prominence in rural and suburban areas, which are licensed to Mobile Network Operators (‘MNOs’) and other wireless network operators, operating circa 8,000 sites as at 30 June 2016. Also a provider of installation services for 4G upgrade and rollout. Arqiva’s site portfolio is central for MNOs, in order to meet their national coverage obligations;

- a leading position for providing neutral host In-Building Solutions with 45 systems installed in locations such as Canary Wharf and Excel London. In addition, the Group has access to significant municipal street furniture sites such as lampposts for the provision of Small Cells in London and major UK cities;

- a leading provider of smart metering and 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 network 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 30 June 2016 and it serves as an alternative to Sky’s own up-linking services;
• market leader for commercial spectrum used for the transmission of DTT, owning two of the main national commercial 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 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

The Group's contracted orderbook value at 30 June 2016 was £5.9bn. In the year the Group secured £0.5bn of new contracts and renewals. A significant proportion of the value of the overall orderbook relates to medium and long-term contracts which includes DTT and radio transmission, site sharing and smart metering (energy and water), as well as satellite and other infrastructure services. The Group remains focused on growth opportunities in targeted, core infrastructure areas.

Over the summer period the Group was responsible for providing broadcasting services for a number of high profile sporting and major events including the 2016 European Football Championships and Rio 2016 Olympic Games. Successful delivery of these events was a testament to the co-ordinated planning and preparation of the Group's operational teams.

During the year to 30 June 2016 the Group has been in the process of embedding continuous improvement and on-going efficiency initiatives into its organisational culture. The Group made strong progress in achieving operational savings in the year by reducing headcount, overheads and supplier costs through a range of initiatives including:

• Streamlined the organisation structure by reducing from 5 distinct business units to only 3 and downsized the corporate functions;
• Refocused on core infrastructure activities;
• Reorganised internal teams to work more efficiently;
• Drove process improvements, system developments and systems upgrades; and
• Saved costs in third party services through renegotiation with suppliers, reduced usage and consolidation of services.

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Terrestrial Broadcast

DTT Multiplex utilisation

As at 30 June 2016, all 30 streams on Arqiva's two main DVB-T Multiplexes were fully utilised. High Multiplex utilisation and a strong period of sales with high quality customers demonstrate the on-going attractiveness to broadcasters of the Freeview DTT platform.

700 MHz Clearance and DTT spectrum

The DTT platform currently uses spectrum in the 470-790 MHz bands. Plans are being implemented 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 network providers. This is a change that will be adopted across Europe, Africa, the Middle East and central Asia.

As reported previously, the Group has a contract with the major broadcasters and Ofcom for the delivery of the programme. Arqiva are responsible for the infrastructure changes, spectrum planning, programme management, network design, service continuity, asset replacement and retuning broadcast transmitters to enable broadcasters to move into a lower frequency. During the final quarter of the year, Arqiva entered the programme delivery phase and continues with billing and recognising revenues. It will generate cash flows from the programme over the period, 2016 to 2022.

**Digital radio (DAB) rollout**

The Group has been progressing with the delivery of the DAB rollout programme for the BBC, and upgrades to the analogue radio network as part of the BBC New Radio Agreement. The build out of the BBC National DAB network continues and as at 30 June 2016, Arqiva had 152 new transmitters on air increasing UK DAB network coverage beyond 97% of the population. The rollout programme is expected to complete later this calendar year.

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 threshold of 90% as set by the UK Government in 2010. The 90% threshold is part of three overall criteria to judge when a process to set a date for a full national digital radio switchover can be established. This contract requires Arqiva to deliver new transmitters or upgrades at 220 sites and as at 30 June 2016, work had been completed at 141 sites, achieving 85% coverage with the project due to be completed on schedule later this calendar year.

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 was completed ahead of schedule. The network was officially launched by the UK’s Secretary of State for Culture, Media and Sport at an event in London on 1 March 2016. The new service carries 18 commercial radio stations utilising 98% of the available capacity. A further new service is expected to launch before the end of the calendar year using the remaining spare capacity.

**Telecoms & M2M**

**Disposal of WiFi business to Virgin Media**

In September 2016, the Group reached an agreement for the sale of its WiFi business to Virgin Media. The sale includes venue WiFi, wholesale WiFi, roaming and media advertising. The Group remains focused on growing its small cells, in-building and outdoor solutions business areas. Within the agreement with Virgin Media, Arqiva has signed an exclusive partnership to provide indoor solutions to Virgin Media’s WiFi customers and to Virgin Media Business customers. The two businesses also signed a long-term agreement to continue to deploy public WiFi services in Arqiva’s numerous street concessions. The Group believes that Virgin Media is a strong match for our customers, given its extensive experience of the WiFi market and that these new agreements will enable both Virgin Media and Arqiva to leverage their respective strengths to deliver innovative and compelling solutions to customers. As part of the sale the Group expects to transfer c. 120 employees, subject to the consultation process.

**4G rollout**

The four main Mobile Network Operators (‘MNOs’) continue to increase their 4G network capability. In turn, Arqiva 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. The Group had completed circa 3,250 4G upgrades across Arqiva-managed sites up to 30 June 2016 and a further circa 5,000 upgrades have been requested by the MNOs over the next 2-3 years.

**Smart energy 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 and backed by the utility companies).
The Group is in the Systems Integration Testing phase as part of preparations to go live during 2016, with end to end testing and user training underway. The Arqiva network is now communicating end to end with the DCC solution, successfully transmitting and receiving service user requests through to meters.

The rollout of the network now exceeds the 80% required by the time the DCC service is operationally live later in 2016 and Arqiva has achieved all contractual milestones required to date. The Group is therefore now earning recurring revenues under the contract. In addition to this, heads of terms for major change requests were also agreed in the quarter which will further increase the scope of the overall contract and orderbook value.

*Smart water metering rollout – Thames Water*

In March 2015, Arqiva signed a contract with Thames Water for the provision of smart metering fixed network infrastructure and associated water meters that enable 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 has completed two major programme implementation phases, comprising 17 contractual milestones and the service is live. Arqiva has achieved all milestones to date as per the agreed timeline and supplied c. 60,000 meters

*Smart water metering trial contract win – Anglian Water*

In July 2016, Arqiva won a contract with Anglian Water for the delivery and monitoring of a smart water metering fixed network trial to facilitate the deployment and operation of 7,500 new meters. This is a four year contract and is part of Anglian Water’s plans for a long-term smart metering programme. The first phase of network build is underway and the trial is due to go live in December.

*Satellite and Media*

*Satellite and Media contract wins*

In June 2016, the Group was selected by Panasonic Avionics Corporation to provide its hosting, connectivity and teleport uplink services via Telesat’s new high throughput satellite (HTS). Arqiva will deliver a range of mobility services for Panasonic, including inflight WiFi, which will operate round the clock from our Chalfont Grove teleport site near London. Signals are extended to the Panasonic Network over our managed core network.

In August 2016, Arqiva announced a partnership with multi-platform media company Red Bull Media House to distribute live video sports content to international broadcasters. As part of the multi-year partnership the Group will be responsible for distributing the content, and delivering it globally through its UK teleports to the rights takers.

*Longer-term developments*

*Small cells opportunities and in-building solutions*

Arqiva has been developing its outdoor Small Cells proposition using low power base stations to provide street level network capacity to MNOs, particularly in dense urban areas. In the quarter to June 2016 the Group completed trials with two MNOs in Hammersmith & Fulham. Arqiva has now received commercial orders from a MNO and design activity is underway with deployment expected in late 2016. Further orders are envisaged from this and from other MNOs as part of a rolling deployment of small cells as they look to increase network performance.

*Other developments*

*Change in Chief Financial Officer (CFO)*

In May 2016, Liliana Solomon joined Arqiva as its new CFO, replacing Phil Moses. Liliana brings extensive experience in the telecoms industry, having held CEO and CFO roles for Vodafone in Europe; been CFO for Cable & Wireless in UK, Europe, Asia and US; and CFO for T Mobile in the UK. In addition to having accountability for Arqiva’s financial management and operations, Liliana will
also lead the procurement function. Phil Moses left Arqiva after five years as CFO having led the Group through its £3bn refinancing and helped deliver strong growth of the orderbook.

Financial Reporting Framework

In previous reporting periods Arqiva reported its financial results in accordance with the previously existing UK GAAP. For the full year to 30 June 2016 the Group has adopted IFRS for its consolidated financial statements and this financial report. This is in accordance with the new financial reporting requirements of FRS 100, Application of Financial Reporting Requirements (i.e. current UK GAAP). These standards are mandatory for statutory financial statements for accounting periods beginning on or after 1 January 2015. The comparative information within this report has been restated accordingly.

Maintenance Capex Expenditure

Maintenance capital expenditure is incurred on the maintenance of site infrastructure and the IT estate. This totalled £20.4m and principally included significant IT upgrades. The spend was slightly lower than the prior period (£20.7m) which included not just IT upgrades but 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 £145.7m compared with the prior year period of £124.8m 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 £5.5m compared with the prior year period of £15.3m.

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, as part of the carrying value of the instrument.

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 incorporated into the fair value measurement of the instrument.

The Group also utilises forward contracts to hedge certain trade-related foreign currency transactions, however there were no trades in place at the reporting date.

The fair value is calculated using a credit risk-adjusted discount rate and therefore incorporates a debit valuation adjustment (or credit valuation adjustment) as required. The changes in the fair value of such derivatives are recognised within the income statement as an ‘other gain or loss’.

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 Arqiva Senior Finance Limited (‘ASF’) and Arqiva Financing No1 Limited (‘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 no break clauses and maturity dates co-terminus with the Institutional Term Loan (‘ITL’), European Investment Bank (‘EIB’) loan and US Private Placement £300.0m loans.

£26.0m of accrued principal accretion on ILS was entirely cash settled at 30 June 2016 (2015: £74.9m). Whilst this is now cash-settled on an annual basis, the amount settled in the prior year reflected three years of principal accretion.

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.

Swap Options

The Group held Swap Options with a total notional principal amount of £353.2m at 30 June 2016 (£410.7m at 30 June 2015). A portion (£57.5m nominal value) of these options expired upon maturity on 29 February 2016. The remaining options are exercisable at maturity on 28 February 2018, and hedge the Group’s exposure for the duration of the IRS to a decline in LIBOR below 1%.

Fair value measurement

The credit risk-adjusted fair value of these derivatives at 30 June 2016 is a liability of £1,146.3m which comprises £746.4m in relation to the RPI linked swaps, £441.9m in relation to the IRS, a £31.1m asset in relation to the cross currency swaps, and a £10.9m asset in relation to swap options (2015: total £1,210.3m).

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.

On 7 September 2016 the Group entered an agreement for the sale of Arqiva WiFi Limited, a subsidiary of the Group that forms part of the Telecoms & M2M operating segment. The sale is subject to various pre-completion conditions and is expected to be completed before the end of the calendar year. The disposal is in accordance with management’s strategy to disinvest non-core business areas.

Ratios

1. We confirm that in respect of this investor report dated 20 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 Error! Reference source not found. (Error! Reference source not found.) of Error! Reference source not found. (Error! Reference source not found.) of Error! Reference source not found. (Error! Reference source not found.) of the Common Terms Agreement:

(a) Historic Net Debt to EBITDA for the relevant Test Period ending on (and including) 30 June 2016 was 5.75;
(b) Historic Cashflow ICR for the relevant Test Period ending on (and including) 30 June 2016 was 2.31;

(c) Historic Cashflow DSCR for the relevant Test Period ending on (and including) 30 June 2016 was 2.31 (together the Historic Ratios);

(d) Projected Net Debt to EBITDA for the relevant Projected Test Period commencing on (but excluding) 30 June 2016 is 5.53

(e) Projected Cashflow ICR for the relevant Projected Test Period commencing on (but excluding) 30 June 2016 is 2.29; and

(f) Projected Cashflow DSCR for the relevant Projected Test Period commencing on (but excluding) 30 June 2016 is 2.29 (together the Projected Ratios, the Ratios).]

2. We confirm that:

(a) 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 Investor Report are accurate in all material respects.

Current Hedging Position

For the period ended 30 June 2016, the cash inflow from the Group's acquisitions and disposals was £16.5m (period ended 30 June 2015: £nil)

Yours faithfully,

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[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.