



Arqiva Broadcast Holdings Limited

Registered number 05254001

Regulatory Accounts **For the year ended 30 June 2015**

**Produced in accordance with Section 15 of the
Undertakings given to the Competition Commission**

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

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Directors' report

These accounts are prepared in accordance with the requirements of certain undertakings of the Competition Commission ("the Undertakings") following the merger between National Grid Wireless and Arqiva in 2008. Section 15 of the Undertakings requires that the merged group maintains appropriate accounting records to enable the preparation of annual statements of revenues, costs and assets employed for each of the Managed Transmission Services ("MTS") and Network Access ("NA") activities. These are known as the Regulatory Accounts (RA).

The Directors of Arqiva Broadcast Holdings Limited ("ABHL") and its subsidiaries (together 'the Group') hereby submit the following Regulatory Accounts for its NA and MTS activities as defined by the Undertakings, in respect of the year ended 30 June 2015.

Appendix 14 of the Undertakings sets out the proposed format of the RA, which has been further developed to be consistent with current regulatory requirements and common practice in regulatory reporting in comparable industries. These developments in form and in presentation have been agreed with The Office of the Adjudicator - Broadcast Transmission Services ("OTABTS").

The RA are prepared in accordance with the Regulatory Accounting Principles and Methodologies dated 22 September 2015 ("RAPM"). The allocation methodologies referred to in the RAPM have been updated and amended compared to those used to prepare the RA for the year ended 30 June 2014. This is to reflect changes in the business, amendments to management estimates and as a result of the availability of improved supporting data in certain areas such as the apportionment of revenue for radio bundled contracts. None of these changes have been significant.

During the year the group announced an operational restructuring; this has not changed the structure of the business units, which comes into effect from 1 July 2015, however some cost savings have been realised in the year.

In accordance with the requirements of the Undertakings, the RA have been subject to independent audit.

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

Statement of Directors' responsibilities

The Directors are required to prepare Regulatory Accounts, in accordance with Section 15 of the Undertakings to the Competition Commission (the "Undertakings") which Fairly Present the results and state of affairs of the regulatory business as defined by the Undertakings.

In accordance with Section 15.3 of the Undertakings, the Directors confirm:

- that the Regulatory Accounts are based on information that has been properly extracted from Arqiva Broadcast Holdings Limited's (ABHL's) accounting records;
- that the accounting principles, methodologies and rules as set out in the separate document entitled 'Arqiva - Regulatory Accounting Principles and Methodologies' dated 22 September 2015 the "Framework") have been applied appropriately.

The Directors also confirm:

- the Regulatory Accounts have been properly prepared on the basis of consistent application of the appropriate Generally Accepted Accounting Practice across the Group, subject to the application of the Framework;
- that the Group's accounting records and relevant meeting minutes have been made available to PricewaterhouseCoopers LLP as required for the purposes of their audit.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's web site. The maintenance and integrity of the OTABTS' web site is the responsibility of the Adjudicator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Regulatory Accounts since they were initially presented on the respective web sites.

Legislation in the United Kingdom governing the preparation and dissemination of such Regulatory Accounts may differ from legislation in other jurisdictions.

By order of the Board



Michael Giles
Company Secretary
Crawley Court, Crawley
Winchester, Hampshire
SO21 2QA

16 October 2015

Independent Auditors' report to the Adjudicator appointed by Ofcom (referred to as the "Adjudicator") and Arqiva Broadcast Holdings Limited

Report on the Regulatory Accounts

Our opinion

In our opinion the Regulatory Accounts, defined below, are:

- Fairly Presented in accordance with the Regulatory Accounting Principles and Methodologies dated 22 September 2015 ("RAPM"); and
- Fairly Presented in accordance with conditions 15.1 and 15.2 of the Undertakings to the Competition Commission by Arqiva Broadcast Holdings Limited (previously called Macquarie UK Broadcast Holdings Limited), Macquarie MCG International Ltd, Macquarie European Infrastructure Fund II, Macquarie European Infrastructure Fund III and Macquarie Capital Funds (Europe) Ltd under the Enterprise Act 2002 dated 1 September 2008 as amended in accordance with condition 15.1 by agreement with the Adjudicator (the "Undertakings").

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

We have audited the Regulatory Accounts of Arqiva Broadcast Holdings Limited and its subsidiaries (together the "Group" for the year ended 30 June 2015 on pages 7 to 13 which comprise:

- the Profit and Loss Account, the Balance Sheet, the Reconciliation to Statutory Consolidated Profit and Loss Account, the Reconciliation to the Statutory Consolidated Balance Sheet and Notes to the Regulatory Accounts.

These Regulatory Accounts have been prepared in accordance with the RAPM agreed with the Adjudicator and accounting policies set out in the Basis of Preparation on page 13.

Basis of preparation

In forming our opinion on the Regulatory Accounts, which is not modified, we draw attention to the fact that the Regulatory Accounts have been prepared in accordance with Conditions 15.1 and 15.2 of the Undertakings and the RAPM.

The Regulatory Accounts are separate from the statutory consolidated financial statements of the Group for the year ended 30 June 2015 ("the Statutory Accounts") and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

Scope of the audit of the Regulatory Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounts sufficient to give reasonable assurance that the Regulatory Accounts are Fairly Presented in accordance with the principles of the RAPM and comply with the requirements of Conditions 15.1 and 15.2 of the Undertakings and, on that basis, are free from material misstatement, whether caused by fraud or error. As the nature, form and content of Regulatory Accounts are determined by the Adjudicator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under Auditing Standards.

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

As explained in the RAPM and the "Basis of Preparation" on page 13, the Group has prepared the Regulatory Accounts by disaggregating balances recorded in the general ledgers and other accounting records of the Group maintained in accordance with the Companies Act 2006 and used, in accordance with that Act, for the preparation of the Group's statutory accounts.

PricewaterhouseCoopers LLP audited the Statutory Accounts of the Group for the year ended 30 June 2015 on which they expressed an unqualified audit opinion. In conducting our subsequent examination of the Regulatory Accounts, and in providing the opinion above, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audit of the Statutory Accounts.

Other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where, under Condition 15.6 of the Undertakings, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from operating locations not visited by us;
- the Regulatory Accounts are not in agreement with the accounting records and returns retained for the purpose of preparing the Regulatory Accounts; and
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of the Adjudicator, the Directors and the Auditors

The Directors are responsible for the preparation of the Regulatory Accounts in accordance with conditions 15.1 and 15.2 of the Undertakings to the Competition Commission by Arqiva Broadcast Holdings Limited and its shareholders on 1 September 2008 ("the Undertakings") and the RAPM agreed with the Adjudicator. Our responsibility is to audit and express an opinion on the Regulatory Accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the Regulatory Accounts' above, and having regard to the guidance contained in Audit 05/03 'Reporting to Adjudicators of Regulated Entities' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made on terms that have been agreed solely between the Group, the Adjudicator and the Auditors in order to meet the requirements of the Undertakings. Our audit work has been undertaken so that we might state to the Group and the Adjudicator those matters that we have agreed to state to them in our report, in order (a) to assist the Group to meet its obligation under the Undertakings to procure such a report and (b) to facilitate the carrying out by the Adjudicator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Adjudicator, for our audit work, for this report or for the opinions we have formed.

The maintenance and integrity of the Company's web site is the responsibility of the Directors and the maintenance and integrity of the Adjudicator's web site is the responsibility of the Adjudicator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Regulatory Accounts since they were initially presented on the web sites.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements and Regulatory Accounts may differ from legislation in other jurisdictions.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton

20 October 2015

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

Profit and loss account

	Network Access	Managed Transmission Services	Network Access	Managed Transmission Services
	Year ended 30 June 2015	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2014
	£m	£m	£m	£m
TV revenue	140.9	38.9	134.3	41.7
Radio revenue	43.3	17.8	42.1	17.9
Total revenue	184.2	56.7	176.4	59.6
Rent and rates	(16.8)	-	(15.9)	-
Labour Cost of Sales and Maintenance	(11.8)	(11.9)	(10.3)	(12.9)
Cost of Sales	(28.6)	(11.9)	(26.2)	(12.9)
Operating costs	(19.1)	(6.2)	(20.1)	(7.8)
Depreciation	(31.0)	(15.1)	(24.9)	(20.5)
Total operating costs	(50.1)	(21.3)	(45.0)	(28.3)
Exceptional costs	(2.2)	(0.7)	(1.5)	(0.6)
Operating result (after exceptional costs)	103.3	22.8	103.7	17.8

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

Balance sheet

	Network Access	Managed Transmission Services	Network Access	Managed Transmission Services
	30 June 2015	30 June 2015	30 June 2014	30 June 2014
	£m	£m	£m	£m
Fixed Assets	668.9	194.8	677.7	200.1
Current Assets				
Debtors	40.0	11.0	41.2	12.1
Cash at bank and in hand	12.8	4.0	12.8	3.9
Total Current Assets	52.8	15.0	54.0	16.0
Creditors: amounts falling due within one year	(38.3)	(12.2)	(44.9)	(16.6)
Net Current Assets/(Liabilities)	14.5	2.8	9.1	(0.6)
Total Assets less Current Liabilities	683.4	197.6	686.8	199.5
Provisions for liabilities and charges	(31.9)	(2.6)	(30.4)	(2.2)
Capital Employed	651.5	195.0	656.4	197.3

These Regulatory Accounts were approved by the Board of Directors on 16 October 2015 and were signed on its behalf by:



Damian Walsh - Director

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

Reconciliation to Statutory Consolidated Profit and Loss Account for the year ended 30 June 2015

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	Year ended 30 June 2015	Year ended 30 June 2015	Year ended 30 June 2015	Year ended 30 June 2015
	£m	£m	£m	£m
Revenue	184.2	56.7	616.2	857.1
Cost of Sales	(28.6)	(11.9)	(287.8)	(328.3)
Operating Costs	(19.1)	(6.2)	(85.3)	(110.6)
Depreciation	(31.0)	(15.1)	(73.6)	(119.7)
Operating profit	105.5	23.5	169.5	298.5
Exceptional items	(2.2)	(0.7)	(8.8)	(11.7)
Operating Result after exceptionals	103.3	22.8	160.7	286.8
P&L items excluded for regulatory reporting purposes *				
Impairment (exceptional)				(33.7)
Amortisation of goodwill on acquisition				(158.9)
Share of operating profit in joint venture and associates				3.6
Income from Investments				0.2
Interest receivable and similar income				2.5
Interest receivable and similar income (exceptional)				1.0
Interest payable and similar charges (exceptional)				(100.5)
Interest payable and similar charges				(508.3)
Share of Joint Venture interest payable				(1.2)
Loss on ordinary activities before taxation				(508.5)
Tax on loss on ordinary activities				(57.6)
Loss on ordinary activities after taxation				(566.1)
Equity minority interests				(0.1)
Loss for the financial year				(566.2)

* For further detail in respect of the nature of P&L items excluded for regulatory reporting purposes please refer to the Arqiva Broadcast Holdings Limited Annual Report and consolidated Financial Statements for the year ended 30 June 2015.

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

Reconciliation to Statutory Consolidated Profit and Loss Account for the year ended 30 June 2014

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	Year ended 30 June 2014	Year ended 30 June 2014	Year ended 30 June 2014	Year ended 30 June 2014
	£m	£m	£m	£m
Revenue	176.4	59.6	589.6	825.6
Cost of Sales	(26.3)	(12.9)	(262.2)	(301.4)
Operating Costs	(20.1)	(7.8)	(89.9)	(117.8)
Depreciation	(24.9)	(20.5)	(77.2)	(122.6)
Operating profit	105.1	18.4	160.3	283.8
Exceptional items	(1.5)	(0.6)	(6.2)	(8.3)
Operating Result after exceptionals	103.6	17.8	154.1	275.5
P&L items excluded for regulatory reporting purposes *				
Amortisation of goodwill on acquisition				(157.6)
Share of operating profit in joint venture and associates				2.7
Income from Investments				0.4
Interest receivable and similar income				2.3
Interest payable and similar charges (exceptional)				(112.3)
Interest payable and similar charges				(531.1)
Share of Joint Venture interest payable				(1.5)
Loss on ordinary activities before taxation				(521.6)
Tax on loss on ordinary activities				18.2
Loss on ordinary activities after taxation				(503.4)
Equity minority interests				(0.3)
Loss for the financial year				(503.7)

* For further detail in respect of the nature of P&L items excluded for regulatory reporting purposes please refer to the Arqiva Broadcast Holdings Limited Annual Report and consolidated Financial Statements for the year ended 30 June 2014.

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Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

Reconciliation to Statutory Consolidated Balance Sheet at 30 June 2015

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	30 June 2015 £m	30 June 2015 £m	30 June 2015 £m	30 June 2015 £m
Fixed Assets	668.9	194.8	903.4	1,767.1
Debtors	40.0	11.0	186.4	237.4
Cash at bank and in hand	12.8	4.0	81.7	98.5
Total Current Assets	52.8	15.0	268.1	335.9
Creditors: amounts falling due within one year	(38.3)	(12.2)	(1,093.1)	(1,143.6)
Net Current Assets/(Liabilities)	14.5	2.8	(825.0)	(807.7)
Total Assets less Current Liabilities	683.4	197.6	78.4	959.4
Provisions for liabilities and charges	(31.9)	(2.6)	(20.9)	(55.4)
Capital Employed	651.5	195.0	57.5	904.0
Assets/(Liabilities) excluded for regulatory reporting purposes *				
Intangible fixed assets including goodwill				1,687.6
Investments in Joint Ventures				4.5
Investments				0.1
Creditors: amounts falling due after more than one year (long term debt/deferred income)				(4,526.7)
Pension surplus				-
Total Capital Employed				(1,930.5)

* For further detail in respect of the nature of assets/liabilities excluded for regulatory reporting purposes please refer to the Arqiva Broadcast Holdings Limited Annual Report and consolidated Financial Statements for the year ended 30 June 2015.

Arqiva Broadcast Holdings Limited

Network Access and Managed Transmission Services Regulatory Accounts - Year ended 30 June 2015

Reconciliation to Statutory Consolidated Balance Sheet at 30 June 2014

	Network Access	Managed Transmission Services	Other	Total per Statutory Accounts
	30 June 2014 £m	30 June 2014 £m	30 June 2014 £m	30 June 2014 £m
Fixed Assets	677.7	200.1	832.4	1,710.2
Debtors	41.2	12.1	216.3	269.6
Cash at bank and in hand	12.8	3.8	80.8	97.4
Total Current Assets	54.0	15.9	297.1	367.0
Creditors: amounts falling due within one year	(44.9)	(16.6)	(909.2)	(970.7)
Net Current Assets/(Liabilities)	9.1	(0.7)	(612.1)	(603.7)
Total Assets less Current Liabilities	686.8	199.4	220.3	1,106.5
Provisions for liabilities and charges	(30.4)	(2.2)	(15.3)	(47.9)
Capital Employed	656.4	197.2	205.0	1,058.6
Assets/(Liabilities) excluded for regulatory reporting purposes *				
Intangible fixed assets including goodwill				1,866.8
Investments in Joint Ventures				10.6
Investments				0.1
Creditors: amounts falling due after more than one year (long term debt/deferred income)				(4,297.6)
Pension surplus				3.8
Total Capital Employed				(1,357.7)

* For further detail in respect of the nature of assets/liabilities excluded for regulatory reporting purposes please refer to the Arqiva Broadcast Holdings Limited Annual Report and consolidated Financial Statements for the year ended 30 June 2014.

Notes to the Regulatory Accounts

1 Principal accounting policies

(a) Basis of preparation

The reporting requirements set out in the Undertakings differ from the way in which ABHL is organised for management and statutory reporting purposes. As such, the RA are derived from the UK GAAP Accounting System used to prepare the consolidated ABHL statutory accounts, which includes all of the Group's businesses, with the reporting requirements of the Undertakings set out in the RAPM applied to these account balances.

The RA analyse ABHL's activities into three core categories: 'Network Access', 'Managed Transmission Services' and 'Other'. ABHL maintains its accounting records in a manner which enables revenues, costs, assets and liabilities to be attributed either directly or indirectly to the Network Access and Managed Transmission Services, in accordance with the RAPM.

The revenues, costs, assets and liabilities for the 'Other' category are arrived at by deducting the total of the Network Access and Managed Transmission Services from the total consolidated balances of ABHL and therefore represent the remainder of the Group's business.

